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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4450
New York, N. Y., Thursday, December 27, 1945
Price 60 Cents a Copy

Interest Rates and Inflation

By DR. L. ALBERT HAHN

Dr. Hahn Points Out That the Old Device of Trying to Check Inflation and Deflation by Raising or Lowering Interest Rates Through Central Bank Operations Has Been Abandoned and Is Being Replaced by a Confused System of Government Diagnosis and Control. Holds That Common Belief in the Necessity of Low Interest Rates Is Not Valid, That Higher Interest Rates Are Not Coincident With Unemployment, and That Purely Fiscal Reasons Should Never Determine Economic Policy. Charges That Government Is Attacking Results, Not Causes of Inflation, Which Will Lead to a Temporary Boom Followed by a Depression.

Photo: H. N. Rublen
Dr. L. Albert Hahn

Wherever Government economic policy, business policy of an individual firm, or the future trends of stock or commodity markets are discussed the topic of inflation plays a major role. Generally speaking inflation is considered dangerously imminent.

A Forgotten Device

If inflation had been feared 10 years ago, the raising of interest rates would have been suggested as the simplest and most natural means of defense.

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Index of Regular Features on page 3168.

British Reaction To American Loan

London Observer Notes Considerable Unpopularity of Loan Among All Political Parties and Holds It Was Accepted Only by a Skillfully Devised Parliamentary Strategy. Socialists Fear Terms Will Interfere With Economic Planning and Others Think That Rejection Would Be Beneficial as a Tonic to Stimulate British Economic Effort. House of Lords Assent to Loan Obtained So as to Avoid a Constitutional Crisis, but Bitter Resentment Prevails and Situation Is Likened to Munich Pact in 1938 and a Similar Subsequent Breakdown Is Widely Predicted.

Paul Einzig

LONDON, ENGLAND—The House of Commons witnessed last week its most exciting debate since May, 1940, when, following the reverses in Norway, the Chamberlain Government was brought down. This time the outcome was not nearly as dramatic, but the debate itself was full of thrilling moments, and was followed with breathless interest by hundreds of Members of Parliament and by packed galleries, even though the proportion of those who understood the highly technical problems must have been less than one in ten.

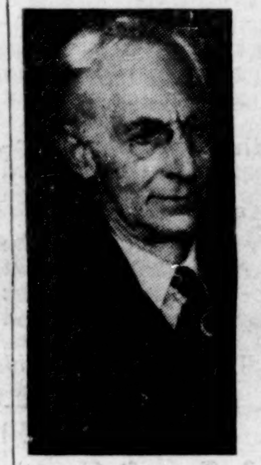
One fact emerged clearly from the debate: The terms of the loan are strongly disliked by supporters and opponents alike. The only difference between their attitude is that the former think the loan

(Continued on page 3159)

The Menace of Declining Profits

By A. M. SAKOLSKI

Dr. Sakolski Stresses the Danger of Declining Profit Margins to Our Private Enterprise System and Points Out That Trend Toward Lower Returns on Investment Is An Indication of Industrial Decadence. Cites Example of Decline of Profit Margins in Great Britain and France, as a Basis for Accepting Socialism and Nationlization, and Warns That if the "Costs Up-Profits Down" Policy Is Continued and Government Restrictions on Profit Making Are Intensified, This Nation Will Emulate Other Decadent Powers in Accepting Nationalization and Collectivism.



A. M. Sakolski

The OPA has announced a policy of "Cost Up—Prices Down." The implications of this policy have been passed over lightly, though not without protest from practical business interests. But the potent economic disaster in the persistance of this policy certainly should not be overlooked or tossed aside as merely an excrescence of contemporary political expediency or as a whim of administrative action. It bears in its nucleus all the forces of ruin to the free enterprise system that the atomic bomb does to physical structures and human existence. It is a menace to progress under our way of life, and will eventually lead to socialism and state regimentation of individuals in their activities to obtain the material things of life.

Yet, few of the numerous tribe of modern economists have dealt with the problem. None of importance during the last half century have concerned themselves greatly with the effects of a rising or declining rate of profit. True, the profit motive as an incentive to enterprise and investment has been stressed. The entrepreneur's function has been studied and analyzed, and his importance in modern economic organization has

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The Investor's Stake in The Anti-Trust Laws

By BENJAMIN A. JAVITS

Mr. Javits Contends That the Anti-Trust Policy of the Department of Justice Stands Clearly Across the Path of American Progress and Prosperity. Says That the Anti-Trust Laws Are Being Enforced in a Manner That Prevents Small Businessmen From Getting Cooperatively the Benefits of Marketing, Research, Prices and Full Employment Which Big Business Can Attain. Big Business, on the Other Hand, Is Finding It Impossible to Deal With Problems Like the Interrelation of Labor and Prices on an Industry-Wide Basis. The Anti-Trust Laws Are Used to Protect Marginal Producers Who Otherwise Could Not Compete. The Investor Is Also Hurt Through Undue Waste in Industry, Jeopardy of His Investments in Small Business, and Costs of Endless and Needless Government Suits.

Benjamin A. Javits

We are all familiar with the story of the little boy who came back from Sunday services and when asked what the sermon was about said that he did not quite get it clearly but he was positive that the man who preached was against sin. And so it is with the word MONOPOLY. No one can talk about it without being against it. But there are other things we do talk about like the Anti-Trust Laws that have led to a great deal of confusion in most people's thinking and to even more confusion in their talking and which are not quite so pat.

A trust in the sense of monopoly is an organization developed during the 70's and 80's by which a group of companies virtually trusteed every power, except the ownership in certain hands so that there would be common practices such as in pricing, selling and buying. The arbitrariness and the

(Continued on page 3152)

A Foreign Reaction to American Full Employment Aims

By MIGUEL VIDAL GUARDIOLA

Former Professor at the University of Barcelona, and Member of the Spanish and Catalan Parliaments.

Spanish Economist Says That Full Employment Is Meaningless for Most Countries if It Does Not Coincide With Improvement in Their Standard of Living and an Accompanying Division of Labor. Without Substantial International Trade This Will Be Difficult to Achieve in Large Countries, and Altogether Impossible in Small Countries. He States That America Preaches About Enlarging Foreign Trade, but Asks Who Is Going to Pay for the Necessary Import Surpluses. Foreign Investments Cannot Solve the Problem. The World Hopes That America Will Find a Way to Make Its Own Prosperity and Full Employment Policies Compatible With Worldwide Economic Progress.

Miguel V. Guardiola

The world follows anxiously American debates on full employment policy. It holds out two essential aspects: (a) blind faith in the maintenance of the highest standard of life attained during the paroxysm of war production and (b) a strong trend in favor of international collaboration under American leadership to raise the standard of life in all countries. Prosperity and happiness seem to be at reach. What else can other countries ask for?

In "Ye Olde Curiosity Shop" of world economy, Americans can easily discover primitive, undeveloped, backward, war-disrupted people, surprised to learn that some administrative strategems suffice to suppress at will unemployment and poverty. They are eager to benefit by this sudden outbreak of humanitarian smartness. They are, though, very skeptical.

It is obvious that most countries cannot solve their employment problem by copying the American pattern, even if the latter were defintiely established. Undoubtedly, this is not the case. Every country knows, instinctively and from sad experience, that "full employment" means nothing if it is not related to a satisfactorily increasing standard of life. They care for "full employment" spreading prosperity not for "full employment" consolidating misery.

Spain, my country, known for having tried out in the course of its long history all types of mistaken economic policies, not excluding "deficit financing," is a living example of the above.

In the difficult period after 1898, the most orthdox economic policy invigorated our economy and strengthened our finances. A permanent surplus of emigration gave way to an intense process of repatriation. Unemployment was practically nil except for some regions where urgent agrarian reforms have been postponed since thousands of years.

The First World War enriched us, and the consequent inflation ruined us again. Spain has always practised classic "deficit financing," i. e. loans to maintain purchasing power. What Professor Abba B. Lerner would call a "Periodical Distribution of Free Income" was disguised as salaries for unnecessary generals and officers, unnecessary civil bureau-

(Continued on page 3157)

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Full Production and Sound Fiscal Policy Can Prevent Inflation

By STEPHEN M. FOSTER

Economic Advisor, New York Life Insurance Co.

Mr. Foster, Holding That in 1945 Our Economy Operated Close to Capacity, Points Out That the Chief Problems Ahead Relate to Fiscal Policy. Says Low Interest Rates, Adopted as a War Policy, Together With the Method of Government Financing Through the Commercial Banks, Constitutes an Inflationary Threat, but Contends That a Civilian Buying Spree Can Be Offset by the High Reserve of Productive Capacity. Sees Need of Settlement of Industrial Strife and Holds Outlook Depends on Proper Decisions Regarding Labor, Management and Government Relationships.

Stephen M. Foster

The year 1945 not only saw the defeat of our enemies abroad; it ushered in, at home, a period of great promise for social and economic well-being. Of course, the transition from war to peace poses serious problems: For one thing, we lose the Government's vast war effort as the motivating force behind production, employment and consumption; for another, the war has wrought financial changes which may offer a threat to future economic stability; for still a third, the singleness of purpose that we enjoyed during the war seems to have been replaced, at least for the moment, by industrial and economic strife. These problems require our careful attention lest our failure to understand and solve them should keep us from the full enjoyment of the wealth of opportunity that lies ahead. Accordingly, it is worthwhile to review the conditions that existed in 1945 before the Germans and the Japanese laid down their arms. For it is these conditions and the circumstances surrounding them that have given rise to many of our present problems.

Economy Operated Close to Capacity

A first important circumstance to bear in mind is that in the first half of 1945 the country's economy was operating at close to capacity. It is true that some economic factors, notably total industrial production, had receded somewhat from their wartime peaks, nevertheless industrial production still stood 111% above the prewar level of 1939; wages and salaries, 150%; farm income from marketings, 151%; and the gross national product, 133%. And, of course, employment was about at an all time record, and unemployment was practically non-existent.

It cannot be too often stated, for a clear understanding of the reconversion difficulties, that the prime motivating force behind this capacity level of business operations was the war and the unprecedented wartime expenditures of the Government. During the first half of 1945, these expenditures were running at the annual rate of $104 billion, a figure which only a few years earlier would have been considered fantastic. They enabled the Government to be the cash customer, largely for immediate war consumption, of about half of the nation's total production of goods and services. Also, from another point of view, they give an indication of the slack that needs to be taken up by the filling of civilian wants, and the readjustments that must be made in the type of things the country produces, as the Government curtails its war effort and its purchases.

The Fiscal Policy

A second circumstance of great importance to the reconversion and post-war period is the method or methods which the Government has used for financing its purchases of approximately half the nation's annual production of over $200 billion of goods and services. There are two obvious methods available: taxation and borrowing. And all through the war our Government has elected to use both, placing a somewhat greater reliance on borrowing than on taxation. Thus, in the first half of 1945, the Government's expenditures of $52 billion were only partially met by income receipts, and the Government borrowed, exclusive of refunding operations, $27 billion of new money.

The vast new money requirements of the Government, which during the past two or three years have been running at the rate of almost $60 billion per year, might, on the basis of the law of supply and demand, have been expected to cause interest rates (the price of money) to rise. But a rise in interest rates as applied to a Government debt rapidly approaching the $300 billion mark would have a highly unfavorable effect on the Government's postwar expenditures. Accordingly, early in the war, the monetary control authorities adopted a wartime technique for keeping interest rates low: The Federal Reserve Banks established a definite rate at

(Continued on page 3161)

Market Outlook

By G. Y. BILLARD

Investment Research Department, J. R. Williston & Co.

Investment Analyst Sees as Favorable Factors in the Near-Term Outlook (1) the Progress Being Made in Reconversion; (2) the Gradual Retreat From Price Controls and (3) the Price Rise Tendency. Holds Basic Factor in Outlook Is the Tremendous Rise in the Public Debt Which Is Affording a Large Money Supply and Is a Potential Inflationary Influence. Says There Is Plenty of Dynamite in the Market Situation That 100% Margins or Increase in Capital Gains Tax Cannot Remove.

Gordon Y. Billard

Concentrated liquidation following an unfortunate radio episode brought a sudden and sharp drop early in the week but the market quickly regained its composure and by the end of the week had recovered most of the ground previously lost.

Short Covering

Shorts were probably sufficiently alert after experiencing months of more or less consistently rising prices and presumably took prompt advantage of the setback, but liquidation was hardly in sufficient volume to permit any extensive covering of existing short positions—and furthermore shorts had to compete with investors seeking to utilize idle cash funds.

Traditionally speaking, a rise during the year-end week is one of the most pronounced seasonal periods in the entire year and it would hardly be surprising if this phenomenon should hold true to form—and perhaps in an exaggerated way in isolated instances in view of the thinness of markets.

Auspicious Beginning

The coming year bids fair to start out at least under more auspicious circumstances than might be experienced at the end of the year.

Perhaps this observation is more the result of a reflection that years very frequently end up with a different twist than they start out with. After all, a year is a sufficiently long period of time to permit coming into play certain events which are quite unforeseen until they come very close to materializing.

And in this respect there are certain events mainly of a political nature which can be visualized that might, by summer or perhaps sooner, have quite a pronounced adverse effect marketwise. Such events, however, at this time are largely in the realm of conjecture and at any rate seem too premature to warrant any serious consideration for the present.

What's Happening

More important is the nearer term outlook and this impresses us as distinctly more favorable than otherwise.

The key to reconversion, labor and other policies seems to be more and more along the line of gradual rereat from price controls. It might be recalled, for instance, that under present directives wage increases up to 33% above January 1941 levels must now be considered by O.P.A. in "fixing prices". Moreover, price increases now are to be permitted whenever O.P.A. finds they are necessary to maintain a "generally fair and equitable level". Also, increases in prices are to be permitted when O.P.A. finds increases are necessary to "prevent hardships impeding reconversion". Furthermore, O.E.S. (Office of Economic Stabilization) is now without the power to veto price advances within the categories mentioned above.

Price trends in practically all lines continue persistently upward. Wholesale prices today are more than double the 1926 level and are already above the peak of the war period. Retail prices, on the other hand, are still slightly below the level reached just prior to V-J Day but a renewed upswing can hardly be long delayed in getting under way. Despite statistics to the contrary, it might be observed that retail prices are far higher than actually indicated by the figures due to (1) lower quality and (2) virtual disappearance of all except higher priced goods. The obvious conclusion even to the casual observer is that price control in many lines is more apparent than real.

(Continued on page 3168)

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The Post-War Price Structure

By S. MORRIS LIVINGSTON*
Chief of the National Economics Unit
Bureau of Foreign and Domestic Commerce

Commerce Department Expert Analyzes Price Conditions During War, and Concludes There Has Been a General and Substantial Advance in Prices of Civilian Goods Reflecting the Demand on Limited Supplies. Holds Supply-Demand Relationships at End of War Created Both Inflationary and Deflationary Pressures. Says That Analysis Shows That the Areas in Which a Change in Supply-Demand Relationships Will Create a Deflationary Trend Are at Present Larger Than Areas of Inflationary Tendencies and That Even if Consumption Increases 50% Above Prewar Level, Resulting Increased Demand Will Increase Production Rather Than Lead to Higher Prices. Holds Large Wartime Profits Prevailed in Every Major Segment of the Economy and That After Reconversion, a High Volume of Productivity Will Make Possible Wage Increases.

What about the price level reached by the end of the war? Is it seriously out of line with what might be expected under conditions which we face during the reconversion period and thereafter? Does the whole structure of supply-demand-price relationships and cost-price-profit relationships suggest the need for major readjustments?

S. Morris Livingston

Must we look forward to an inflationary boom and collapse such as followed the last war, to speedy deflation, or to reasonably stable prices? Are individual prices so out of line that widespread adjustments are necessary?

To answer these questions it is necessary to have the background of the current situation—where we are and how we got there—together with an evaluation of the current and prospective forces operating on the price structure.

Reliance on Price Incentives

The wartime interrelation between supply, demand and prices has been different from that which might be expected in peacetime; nevertheless, it is easy to exaggerate the importance of this in considering postwar price trends.

It is a fact, of course, that the enormous expansion in the production of war goods and the shift of manpower to the armed forces were not accomplished entirely by bidding up of the prices of those goods and services in competition with the alternative civilian production. They were accomplished in part by direct means—priorities, allocations of materials and resources, restrictions on non-war production and the draft—plus the whole pattern of voluntary cooperation in the war effort inso-

(Continued on page 3148)

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*Reprinted from the November 1945 issue of "Survey of Current Business" published by the United States Department of Commerce.

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The Cost of "Extra-Ordinary Government"

By HON. HUGH BUTLER*
U. S. Senator from Nebraska

Prominent Member of Senate Finance Committee Ascribes Heavy Federal Expenditures to "Extra-Ordinary" Government. Sees a $30 Billion Deficit Next Year and States That No Real Tax Relief Will Come Until Federal Government Curbs Its Expenditures. Calls Attention to Byrd-Butler Bill Which Provides That Government Corporations Must Come Under Congressional Scrutiny and Warns That New Similar Corporations "Under Sweet and Noble Titles" Are Being Placed Before Congress as Additional Payrolls and Pay Checks. Says Spending Spree Is Over and End Must Be Put to Pressure Groups and Privilege Legislation. Wants Streamlined Government and a Unified Budget With Full Accountability for Spending.

Before anything else, I want to tell you I regard it my privilege, not yours, to be able to address this greatest of industrial forums, because I have eagerly anticipated this occasion.

Hugh Butler

You manufacturers are a select and influential body. It so happened I was looking for a chance to do a little lobbying of my own at your annual Congress of Industry.

It has always been brought to my attention that you men of industry are good at *changing* things. As they say in our brainy bureaucratic language known as "gobble-degook," you fellows are good at *activating* ideas, or maybe it is motivating, or maybe it is *implementing* ideas.

At any rate, I have read that you are able to take a hunk of coal, a pinch of salt and stir them up with a breath of fresh air and behold: you have nylons—and a line of frenzied women from here to Omaha.

You change dreams into realities. The point is, we need some practical changes down at Washington to get a bigger and a better output from the biggest business in the world—our Federal Government.

The Kinship of Farm and Industry

In a slightly different sense, we Nebraskans get most of our income from the processes of change, too. In our case, we mix seeds and soil to produce steak, cheese, flour, ham and such. Speaking gastronomically or metabolically, or whatever the medical term is, I wouldn't be at all surprised if most of you were at least half-Nebraskan.

But I'm sure our relationship is more than being just "belly" cousins. Our farmers talk production, production and more production. You factory men pound your desks and talk production, production and more production.

About all I've got to show for this life is my Nebraska ranch. It is really a beef factory, and its output has got to be a carload of fat cattle to market every week or we uncork the red ink bottle again. Farm and factory talk is the same language, with exactly the same considerations of investment, reserves, depreciation, overhead, hired men and market risks.

We have the same perplexing dilemma over Government subsidies and handouts. We are both concerned about taxes and their effect on our business futures.

The Core of Our Financial Problem

One of my duties as Senator is to serve on the Senate Finance Committee, which reviews and recommends taxation bills for passage.

In recent weeks, the Congress passed a tax bill which gave business and individuals some measure of tax relief. The Congress went farther than the Treasury wanted us to go in granting relief from high wartime rates.

But Congress could approve only a limited reduction. You who had your contracts terminated know how sharply war spending

(Continued on page 3146)

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*An address by Senator Butler before the Golden Anniversary Congress of American Industry of the National Manufacturers Association, New York City, Dec. 7, 1945.

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Thursday, December 27, 1945

Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico, and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

Other Publications
Bank and Quotation Record—Mth. $25 yr.
Monthly Earnings Record—Mth... $25 yr.

NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Agricultural Question Mark of 1946

By HON. CLINTON P. ANDERSON*

Secretary of Agriculture

Secretary Anderson, After Reviewing Agricultural Progress in War Period, Speaks Optimistically of Outlook for 1946. Calls Attention to Close Economic Interdependence of Agriculture and Industry, and Points Out That Immediate Problem Is to Maintain a Balance Between Farm and Factory Production. Warns Against a Drift Into a Policy of Scarcity and Urges a Full Production Goal for Agriculture to Be Counter-Balanced by Full Employment in Industry. Says Present Price Parity Formulas Are Out of Date and That New and More Flexible Formulas Should Be Used to Encourage a Better Balanced, Diversified Agriculture, and for This Purpose He Proposes Conferences Between Farmers, Labor and Industry to Plan Production Schedules.

Clinton P. Anderson

The interdependence of all economic groups and the need for coordinated, progressive action on all fronts to maintain and raise the American standard of living is a familiar time-tested philosophy. It is an idealistic creed, but it brings practical results. The evidence that it works is all around us in the unsurpassed achievements of our agriculture, labor, and industry. We see the rewards every day in our lives in the form of our modern farms, great cities, tremendous factories, millions of automobiles, fine highways, schools, hospitals, and homes It is the factor that made it possible for us, a democratic nation, to organize into one great productive team to outproduce our enemies and smother them with the munitions and machines of war.

No group is more familiar with the doctrine of interdependence or has done more to advance it than the American Farm Bureau Federation. You know from your own personal experience in every kind and phase of farming how vital is the need to maintain a strong, prosperous and productive agriculture, if we are to have a strong, prosperous, and productive United States. You know from first-hand, painful experience that if industry goes slack or gets tangled in the traces, the farmer soon finds himself in trouble, no matter where he farms or what he produces.

I am always glad to meet with the American Farm Bureau Federation, representing as it does hundreds of thousands of farm-

(Continued on page 3162)

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*An address by Secretary Anderson before the National Convention of the American Farm Bureau Federation, Chicago, Ill., Dec. 18, 1945.

Expert Discusses International Use Of Atomic Power

Prof. J. R. Oppenheimer, Head of Laboratory That Developed Atomic Bomb, Holds That Problem of Making Available Nuclear Fuel Is Capable of Being Solved, but Doubts Whether Automobiles and Airplanes Can Be Operated by Nuclear Power Units Until New Ideas Are Developed.

J. Robt. Oppenheimer

In a radio address delivered on Dec. 23, during the United States Rubber Company Philharmonic Symphony broadcast, Dr. J. R. Oppenheimer of the University of California, who was head of the great laboratory at Los Alamos, New Mexico, where the atomic bomb was developed and tested, discussed briefly the problem involved in the use of atomic energy for industrial and transportation purposes and expressed the view that on the basis of experiments already made, such uses may come about though he expressed doubt whether nuclear power could be used in automobile or airplane transportation unless we obtain new knowledge and new ideas not now existing. Regarding this, Dr. Oppenheimer stated that "it seems to be a general impression that there are serious and fundamental problems in controlling the release of this energy and in making it useful for the purposes of society. This view is based on misconception. More than two years before the test in New Mexico, another great experiment was carried out at the Metallurgical Laboratory in Chicago. In this experiment, conditions were so arranged that the fission of one uranium atom in a great mass of uranium and graphite produced, through the neutrons it generated, the fission of a second atom, and so on indefinitely. The experiment could be run with the rate of fission and the rate of energy release adjusted within wide limits by a simple control. This was the first self-sustaining fission chain reaction.

"Since then mary varied devices have been designed and built, each of them generating appreciable quantities of energy, all of them based on maintaining a controlled nuclear chain reaction. Some are small, some enormous; and the power which they generate also varies by large factors: but all were made as a part of the program of developing atomic bombs and all have one feature

(Continued on page 3145)

With Herrick, Waddell

KANSAS CITY, MO.—**Charles E. Moser, Jr.**, and **Eugene F. J. Reiner** are with **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue. Mr. Moser was previously in the U. S. Navy; Mr. Reiner was with the St. Louis Ord. District.

With Dempsey-Tegeler

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Churchill to Visit United States

Will Sail Early After New Year for Month's Sojourn in Florida. Only Address Scheduled During Stay Is at Westminster College, Fulton, Mo.

It has been announced that Winston Churchill, wartime Conservative Prime Minister of Great Britain, will sail for the United States shortly after the New Year to spend a month or so in Florida. This trip, it is reported, is taken under the advice of Mr. Churchill's physician, who suggested a warm climate for recuperation. Mr. Churchill, while in Florida, will be the guest of Col. Frank Clarke of Quebec, who has made his house available to Mr. and Mrs. Churchill and their daughter, Mrs. Sarah Oliver.

Winston Churchill

While in the United States, Mr. Churchill is scheduled to make but one address. On March 5, he will speak on "World Affairs" at Westminster College, Fulton, Mo., in President Truman's home State.

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Public Utility Securities

Are the Transit Stocks Attractive?

The transit company stocks have, of course, enjoyed a substantial wartime rise, reflecting the huge increase in operations due to decreased auto use and increased factory employment. It has been rather generally assumed that after the war the earnings bubble would be pricked, and the transit stocks would suffer a corresponding deflation. But perhaps this view may be subject to modification. The automobile industry is not showing the rapid comeback which was anticipated earlier this year, and if labor troubles and material shortages continue there will be a continued slow-down. Returning servicemen, plus reviving factory employment for peace work, may keep the trolleys rather busy in 1946, when they will enjoy big tax savings. Their several years of prosperity has "fattened" them, permitting substantial improvement in financial structure and cash position. Some of them have been able to refinance on favorable terms. Following is some brief comment on leading issues:

Baltimore Transit, selling over-counter around 6½, earns about $1.52 a share. The company has been involved in litigation with the City of Baltimore, but this has apparently been cleared up; the voting trust has been terminated and a new President appointed. Accumulations on the two income bonds were cleared up in 1942. Arrears on the preferred stock amount to about 50%, so that a recapitalization would be in order. Federal excess profits taxes in 1944 were very large and their elimination may facilitate some recap plan.

Los Angeles Transit is controlled by National City Lines, which owns about 59% of the common stock. Selling around 10 over-counter, the stock seems reasonably priced in relation to earnings, estimated at over $1 for 1945 (87 cents was earned in 9 months). Dividends, however, amounted to only 25 cents this year.

Rochester Transit (11) and **Syracuse Transit** (28) pay $1 and $2 respectively, affording good yields. They have been recapitalized on a conservative basis, and present dividend rates seem well covered by earnings. Syracuse should enjoy tax savings next year estimated at around $6 a share (based on 1944 earnings).

Twin City Rapid Transit is one of the few issues on the Big Board (now 14). The company operates in St. Paul and Minneapolis, and has a record of efficient management. $2.62 a share was earned in the nine months ended Sept. 30, but there are still $49 arrears on the preferred stock.

Kansas City Public Service sells over-counter around 7. Earnings are difficult to appraise because of a large contingency charge. Twenty-five cents a share was paid last January, and 30 cents will be due Jan. 2, affording a yield of over 4%.

Third Avenue Transit, selling on the Exchange around 13, does not appear particularly attractive, even allowing for anticipated post-war earnings improvement upon completion of the bus conversion program. There are, of course, large arrears on the adjustment income bonds and a recapitalization would seem to be essential before the stock could pay any dividends. Meanwhile, the Company is suffering from management troubles.

St. Louis Public Service A in the 12 months ended September, earned $1.91 a share and the dividend rate is $1. National City Lines has a substantial interest in the company. Tax savings next year should be substantial. The stock is around 20½ in the unlisted market.

Eastern Mass. Street Railways is an extremely "high leverage" issue, quoted over-counter around 4, with a poor market. The high share earnings ($3.81 plus nearly $17 potential tax savings, estimated) mean little because of the complicated capital structure, including several preferred stocks with substantial arrears.

Capital Transit serves Washington, D. C., and is controlled by the North American Company system. The minority stock is hard to buy but at the last available quotation around 34, offered a yield of nearly 6%.

Philadelphia Transportation, around 9½ over-counter, has a highly complicated capital structure. The stock was issued in reorganization in 1940. The present dividend rate is 80c, affording an excellent yield. There should be some substantial tax savings next year, as a buffer against any decrease in revenues.

Duluth-Superior Transit, around

(Continued on page 3156)

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Foresees Higher Real Estate Values

Charles F. Noyes Holds Present Real Estate Prices Are About 60% of 1932 Level, Whereas Stock Price Averages Show a Much Greater Advance. Sees Ground for Higher Real Estate Prices.

Charles F. Noyes, head of the real estate firm of Charles F. Noyes Company, has issued a statement predicting further rise in real estate values and more activity in the real estate market in 1946.

Charles F. Noyes

According to Mr. Noyes, "Common-sense with any degree of economic knowledge and particularly the study of the happenings of the last 12 months puts real estate at the top of the investment list. Why invest in securities and bonds with a 2% to 4% return when good real estate can be had that will show from 4½% to 6% with perfect safety, and if carefully and expertly selected, from 7% to 10% on a substantial equity? Furthermore, this return will increase as rental values increase and get towards normal. Nineteen hundred and forty-six (1946) will witness greater activities in the purchase of buildings for occupancy. Office buildings, store and commercial property and even apartments will be purchased by one or more tenants as an investment and to protect the business or family in a permanent home and as a hedge against inflation in the matter of increased rentals as well as increased returns on the investment. (a) We have inflation. It is here. This cannot be denied. It is only a matter of opinion as to how far it will go and its ultimate effects. (b) Labor costs have increased in every direction. Buildings are almost entirely the result of labor and everything that enters into building construction is the result of labor. (c) Our new zoning laws are more drastic than the old. Coverage of land is limited by the law. Generally speaking, new buildings cannot provide more than 65% to 70% of area comparable with existing buildings of the same height.

"Prices of real estate today average possibly 60% of the values of 1932 and in many cases much less than this while, conversely, the Dow-Jones averages show a percentage increase of 212% in connection with industrial stocks, 128% on railroad stocks, 34% on utility stocks and 39% on bonds. The following comparison is definite. It is conclusive.

DOW-JONES AVERAGES

	Industrial	Railroad	Utility	Bonds
December 14, 1932	61.93	28.16	28.33	77.45
December 14, 1945	193.34	64.15	38.05	107.92
Percentage Increase	212%	128%	34%	39%

"As against the increase of 212%, 128%, 34% and 39% above specified, New York City real estate is selling not at an increase but at substantially 60% of the values of Dec. 14, 1932.

"Real estate values must be and will be higher in 1946 than in 1945, and five years hence we will wonder why such low prices prevailed in 1945 and 1946. Labor and all costs of operating buildings of every description have increased greatly. Rents may be held down temporarily by artificial governmental regulations but eventually along common-sense lines they will sharply advance until owners obtain a fair return on a fair valuation, and such a valuation is much, much greater than today's prices. The purchase of well selected real estate is the outstanding investment of this period and the public is just commencing to realize it."

Adjournment of First Session of 79th Congress; Legislation Enacted—Measures Pending

The first session of the 79th Congress adjourned on Dec. 21; the session began on Jan. 4 last, and the second session will be brought underway on Jan. 14, in an "election year." The closing of the first session occurred at 2:11 p.m. in the House on Dec. 21, while the Senate wound up its deliberations at 3.47 p.m.

Noting that the session wrote history, in war and peace, the Associated Press on Dec. 21 added, however, that there were many important matters which President Truman urged it did not write into laws. One of these was the proposal to make permanent the Fair Employment Practices Committee set up in wartime to police any discrimination against Negroes and other minorities. The Associated Press further said:

Senators Ball, (R.-Minn.), and Chavez (D.-N.Mex.) served notice that they would bring it up as soon as the second session opened Jan. 14.

In the absence of the legislation he had asked, Mr. Truman yesterday extended the Committee's authority under the emergency wartime grant of power.

At the same time, the Chief Executive made plain his dissatisfaction with Congress's handling of labor and employment bills.

In his final news conference before Christmas, Mr. Truman who, as Vice-President moved up to the Presidency in April following the death of President Roosevelt, also said he wants Navy Secretary Forrestal to remain at his post at least for the present, despite their differences over Army-Navy unification.

The President declared, said the Associated Press, that despite his own commitment to a merger of the Army and Navy into a single department of national defense, no effort will be made to muzzle Navy officers who disagree.

His only insistence, he told questioners, is that naval officers opposing the merger make it clear that they are expressing their personal views and not those of the Administration.

From the Associated Press, we also quote:

Although its tally of "things undone" is a long one, the 79th Congress, perhaps more than any of its recent predecessors, made its voice heard 'round the world by the things it did.

It ratified the United Nations Charter; it overwhelmingly enacted a law to give living effect to this country's participation in UNO; it appropriated new money to the UNRRA; it extended the lend-lease program and the reciprocal trade agreements act, and it wrote into law the Bretton Woods international monetary agreements.

In doing those things it followed the recommendations of both Mr. Roosevelt and Mr. Truman.

On the domestic front Congress: Appropriated approximately $62,-billion while a two-front war was in progress and then, after the last shots had been fired, took back some $52 billion of current

(Continued on page 3167)

Problems of the Justice Department

Attorney General Clark Tells Bar Association Administrative Complexities of Government Regulating Agencies Have Grown and Commends the McCarran-Summers Bill Which Would Restrict Powers of Judiciary in Passing on Administrative Rulings. Notes Increasing Attitude of Contempt for Law and Promises Vigorous Action Against Black Markets and Anti-Trust Violations so as to "Lubricate the Machinery of Postwar Business and Put Reconversion Into High Gear." Wants Business to Cooperate With Justice Department and Asserts That Full Weight of Government Authority Will Be Brought to Bear on the Side of a Lawfully Prosperous Nation.

In an address before the American Bar Association meeting in Cincinnati, Ohio, on Dec. 19, Attorney General Tom C. Clark, upheld the principles of the McCarran-Summers Bill to fix the powers of the courts in ruling on the validity of decisions of Governmental administrative agencies, and also commented on what he called the growing disregard for law as illustrated by black markets and violations of Government economic controls. He promised vigorous execution of the anti-trust laws, which action, he contended, was essential to promote rapid reconversion and the preservation "of a lawfully prosperous nation."

Tom C. Clark

Commenting on the growth of administrative law making agencies, Mr. Clark said:

Administrative law has been perhaps the primary subject of discussion among legal thinkers for the past 20 years. Some have considered it a threat to our democracy, an alien system and a "contrivance of self-seeking bureaucrats." But it is my contention that the administrative process has had to expand to meet the needs of an increasingly complex civilization. Full recognition, it seems to me, has not been given to the fact that the phenomenal growth of the administrative process in recent years has been forced by phenomenal events—two world wars of catastrophic proportions, and an intervening financial depression, all in one generation.

The administrative process in the Federal Government is as old as the Government itself and at the very first session of the First Congress under the Constitution, statutes were enacted conferring important administrative powers. It was the rapid expansion of railroads, accompanied by discriminatory rate adjustments, irresponsible financial manipulation, and speculation, that led to the enactment in 1887 of "An Act to Regulate Commerce," creating the Interstate Commerce Commission.

The creation of other agencies, to meet the needs of changing times, has steadily continued, in the State governments as well as the Federal. The great advantage of administrative agencies is their flexibility, their capacity to do a complex task fairly and with dispatch.

Illustrations of Administrative Complexities

The Fifth Quarterly Report of the Office of Contract Settlement shows what tremendous progress has been made in settling terminated war contracts through administrative action. The surrender of Japan caused the termination of over 100,000 prime contracts, involving 24,000,000,000 dollars in cancelled commitments.

Add to this the contracts that were terminated by V-E Day and you have some realization of the gigantic task faced by the War and Navy Departments and by the Office of Contract Settlement.

Some 288,000 prime contracts, involving 62,000,000,000 dollars in cancelled commitments, have been terminated from the beginning of our war production to date.

Of these, some 185,000 contracts, involving over 25,000,000,000 dollars have now been settled.

Similar records of accomplishment may be found in other administrative agencies.

The Interstate Commerce Commission receives, analyzes, and files thousands of rate schedules, applications and complaints.

Yet that is only a part of its work.

The Social Security Board keeps literally millions of records, and disposes of 8 or 9 hundred thousand claims a year.

In the light of these few examples, it is no wonder that Congress has resorted more and more frequently to the administrative process as an instrument for the execution of its legislative policies.

An examination of an act with which we are all familiar—The Selective Training and Service Act—will serve to illustrate the manner in which the Congress has placed broad rule-making and adjudicatory functions in a single agency. In this statute Congress wisely refrained from seeking to

(Continued on page 3164)

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Broker-Dealer Personnel Items

(Special to The Financial Chronicle)

ATLANTA, GA. — **Marcus L. Haas** has become associated with **Stockton Broome & Co.** He was formerly in the U. S. Army and prior thereto was with Beer & Co.

(Special to The Financial Chronicle)

DAYTON, OHIO — **Alfred C. Jones** has joined the staff of **W. E. Hutton & Co.,** 42 North Main Street. Mr. Jones has recently been with the O. P. A. Prior thereto he was with Greene and Brock, and McDonald-Coolidge & Co.

(Special to The Financial Chronicle)

DAYTON, OHIO—**Adrian Karman** has become associated with **Grant Brownell & Co.,** Winters Bank Building. He was formerly with the Ohio Company for a number of years.

(Special to The Financial Chronicle)

DENVER, COLO. — **Robert S. Layton** has become associated with **Sidlo, Simons, Roberts & Company,** First National Bank Building, after serving in the U. S. Army for four years.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Frederic A. Pakas,** who has recently been in the U. S. Army, has become associated with **Alison & Company,** Buhl Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Ernest B. Kelly, Jr.** has rejoined the staff of **Halsey, Stuart & Co., Inc.,** 601 Griswold Street, after serving in the U. S. Navy.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Lloyd H. Ratz** has been added to the staff of **Charles A. Parcells & Co.,** Penobscot Building.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Robert D. Savage** is now with **Watling, Lerchen & Co.,** Ford Building. Prior to serving in the U. S. Army he was with Crouse & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Herbert Schollenberger, Jr.,** has rejoined **Campbell, McCarty & Co., Inc.,** Buhl Building, after serving in the armed forces.

(Special to The Financial Chronicle)

GREENSBORO, N. C.—**Melvin Clanton** is with **Thomas Darst & Co.,** Southeastern Building.

(Special to The Financial Chronicle)

HANNIBAL, MO.—**Headley G. Ealum** has become connected with **Bankers Bond & Securities Company,** B. & L. Building. He was previously with the Pike Grain & Securities Co.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**John F. Guzauckas** and **Philip C. Judd** are with **Brainard, Judd & Co.,** 75 Pearl Street. Mr. Judd was with the firm prior to serving in the Army.

(Special to The Financial Chronicle)

HARTFORD, CONN.—**Herbert E. Armstrong** has become connected with **Denton & Co., Inc.,** 805 Main Street.

(Special to The Financial Chronicle)

JACKSON, MICH. — **Verl R. Huntley** has become affiliated with **Investment Securities Company,** National Bank Building, after serving in the U. S. Army.

(Continued on page 3161)

Real Estate Securities

During the year 1945 many real estate securities were mentioned in this column. At the present time the market is considerably higher than when the issue was summarized. Lack of space prevents listing all of them; however, the ones listed show the market value increase during the year:

	Present Market	Market 1-1-45
Trinity Buildings	108	67
U. S. Realty & Improvement	108	75
Westinghouse Building	55	32
Equitable Office Building	137	50
Hotel Lexington	108	91
Alden Hotel	76	57
Park Central Hotel	94	66
Broadway 41st	72	65
80 Broad Street	73	45
Madison 52nd	81	63
Governor Clinton	90	68
40 Wall Street	78	50
Broadway Motors Building	88	65
2 Park Avenue	96	84
165 Broadway	72	44
Hotel Drake	75	55
Broadway Barclay	43	34
London Terrace	81	64
Chanin Building 4s	89	68
Dorset	52	44

It is our opinion that as a class real estate securities have acted as well or better than any other type of security during the years and that 1946 holds prospects for continued gains.

Truman's Fact Finding Proposal No Remedy

By WILLFORD I. KING*

Lecturer in Economics at New York University

Dr. King Contends That the Railway Labor Act, on Which President's Proposal Is Based, Has Not Produced Results That Are Satisfactory and That the Employees Did Not Benefit. Claims President's Proposals, if Adopted, Will Spread Unemployment and Will Lead to More Inflation. Says Real Remedy Is Repeal of Wagner Act and Applying Anti-Monopoly Laws to Labor.

Willford I. King

On Dec. 3, President Truman sent to Congress a special message asking it to enact legislation authorizing him to set up Fact-Finding Boards to recommend settlements in crucial nation-wide labor disputes. This plan largely parallels the procedure under the Railway Labor Act.

Since enactment of that act, strikes in the railroad field have been a rarity. Therefore, the President's action is widely hailed as a logical solution of one of the most knotty problems confronting the nation. The general verdict is that the system will almost certainly work well in other industries since it has proved so satisfactory in the railway field.

Before uncritically accepting this conclusion, the thoughtful citizen will do well to note the assumption underlying it—namely, that the Railway Labor Act has produced results which are satisfactory. What are the facts?

How It Worked Out

The procedure during the pre-war period, under the terms of the act, is correctly typified by the following portrayal of the course of events in a controversy: The Railway Labor unions demand a 15% increase in wage rates. The railroads point out that most of them are losing money; *that* a large part of their bonds are in default; *that* their stock has become practically worthless; and *that* if the Interstate Commerce Commission grants, and the railroads put into effect, higher freight rates, the result will be to divert more of the business of transportation to ships, trucks, pipe lines, and electric power lines. The unions remain adamant in their demands. Federal conciliators set to work. They cannot get an agreement. The unions vote to strike. The President then appoints an Emergency Mediation Board. It listens to the evidence which shows that railway wage rates are already much higher than those received by workers of like skill in other industries. The sad financial plight of the railway investors is not disputed. The Mediation Board completely ignores all the evidence, decides to split the difference, and hence awards the workers a 7½% increase all along the line.

The railroads now apply to the Interstate Commerce Commission for rate increases. After months of hearings and consideration, some increases are granted. These result in further declines in railway traffic.

Before, however, this has occurred to any marked extent, the railway unions demand another 15% increase, and the whole procedure is repeated, the Mediation Board again splitting the difference and granting another 7½% raise. The only variation is that if, perchance, the "cost of living" is rising slightly, the Board makes the increase 10%.

A Temporary Reprieve

When the stockholders and bondholders have the temerity to complain that their property is being confiscated by this procedure, they are told that the railroads are over-capitalized. When they prove, by official Federal figures, that the actual investment in the railroads has been far greater than the book value of the railroad capital, they are told that this fact in irrelevant—that the present capitalization is out of line with earnings, and that the only solution is "to put the railroads through the wringer." When this procedure is completed, the common and preferred stockholders are left with the choice of using their certificates as wallpaper or hoarding them as souvenirs. The junior bondholders become holders of stock, the value of which will be squeezed out by future wage increases, and only the senior bondholders retain any considerable share of the value of their original investments. If the wage-increase mechanism keeps on operating, all that they are really getting is a temporary reprieve from confiscation of their holdings.

Look at the Record

To gain a clear comprehension of the cumulative effects of the workings of the Railway Labor Act during the pre-war period, it is necessary to note some of the pertinent statistical facts. One can get a reasonably fair picture by comparing averages for the periods of 1921-1925 with those for 1936-1940. The first period precedes the boom of the late 1920's. The last period comes after recovery from the depths of the late depression. but precedes the time when the European war began to affect our traffic greatly. Here are some significant figures taken

(Continued on page 3167)

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*A statement issued by Dr. King through the Committee for Constitutional Government, Inc., New York City.

REAL ESTATE SECURITIES

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Railroads: Fifty Years Past and to Come

By JOSEPH B. ENNIS*

Senior Vice-President, American Locomotive Company

Veteran Transportation Expert Reviews Progress in Improvement of Railroads and Locomotives, and Points Out the Expanding Use of Transportation Services. Says There Is No Excess Railroad Capacity and That to Effectively Operate There Must Be More Technological Improvements in Locomotive Power. Describes New Locomotive Types, Such as Diesels and Steam Turbines, and Concludes That Despite Competition of Other Types of Transportation, American Railroads Have Been Revitalized and That in Next Decade They Will Do More Business Than in Any Previous Peacetime Period.

Fifty years ago when I was drawn irresistibly into the locomotive industry I faced a great opportunity.

Joseph B. Ennis

Today, as I look toward the future, I am bound to say that I think the locomotive industry and the railroad industry offer the young men of America a greater opportunity than they did half a century back. I am delighted to be a young man today.

The future looks exciting and challenging from where I stand because, it seems to me, we may be on the threshold of an era of transportation such as you or I or any of us has not seen before. Total war, the far-reaching bomber, the vast and unbelievable logistical problems solved in order to take millions of men tens of thousands of miles with vast mountains of equipment, all these things have created in our minds a point of view which did not exist before and which has great bearing on the future of our industry.

That point of view has been crystallized in the expression "One World." It is an acceptance of the fact that we are near to every nation in the world—phys-

(Continued on page 3158)

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*An address by Mr. Ennis at the dinner celebrating the 50th anniversary of the American Locomotive Company, Waldorf-Astoria Hotel, New York City, Dec. 11, 1945.

Approves Anglo-American Financial Agreement

Eugene P. Thomas, President of National Foreign Trade Council, Issues Statement of Its Executive Committee. Holds Terms of Agreement Conform to Recommendations Previously Made by the Council and States That Anglo-American Cooperation Along Lines Laid Down Is Essential to a Healthy World Economy.

Eugene P. Thomas

The Executive Committee of the National Foreign Trade Council, in a statement made public by Eugene P. Thomas, Council President, on Dec. 24 expressed approval of the Anglo-American financial agreement as conforming generally to recommendations of the Council in regard to extension of financial aid to Great Britain coupled with modification of exchange controls and trade barriers.

Other parts of the broad agreement announced Dec. 6, containing the joint statement regarding the settlement of Lend-Lease, reciprocal aid, surplus war property and claims as well as the joint statement regarding the undertaking reached on commercial policy as embodied in "Proposals for Expansion of World Trade and Employment" issued by our Department of State, are receiving further study by appropriate Council committees.

Text of Statement

The Executive Committee of the National Foreign Trade Council, on recommendation of the International Finance Committee, endorses the financial agreement negotiated by the Governments of the United Kingdom and the United States, which forms part of the completed negotiations announced Dec. 6, 1945. In making this endorsement, the Committee believes that while the financial agreement provides for proper financial aid to Great Britain it also includes a commitment on the part of Great Britain to take the following steps in regard to exchange controls which are of paramount interest to American trade:

(a) British exchange controls will not be applied to restrict payments or transfers on permitted American imports into the United Kingdom and on other current transactions after the agreement becomes effective, and similar restrictions on all current transactions will be eliminated not later than one year after the effective date of the agreement.

(b) Sterling area exchange restrictions will be eliminated on current transactions "with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed" as soon as possible but not later than one year from the effective date of the agreement.

The Committee notes with satisfaction that the agreement generally conforms to the statement

(Continued on page 3157)

Business Man's Bookshelf

Labor Policy of the Federal Government—Harold W. Metz—The Brookings Institution, Washington, D. C.—cloth, $2.50.

World Supply of Wool and Prospects for Leading American Woolen and Worsted Manufacturers—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y.—paper—50¢ (to public libraries and nonprofit institutions, 25¢).

Tomorow's Trade—Problems of Our Foreign Commerce — Stuart Chase — The Twentieth Century Fund, 330 West 42nd St., New York City—cloth—$1.00.

Opportunities, Qualifcations and Risks in Small Business for Veterans Under the GI Bill of Rights—John B. Padde, Manufacturers Trust Company of New York—paper.

Foreign Exchange Legislation in Germany (Printed in German)—Monetary and Economic Dept. of the Bank for International Settlements, Basle, Switzerland—40 Swiss francs.

From Bretton Woods to Full Employment—Dag Hammarskjold—Supplement A to Svenska Handelsbanken's **Index**—paper.

Postwar Goals and Economic Reconstruction—Institute on Postwar Reconstruction, New York University, New York 3, N. Y.—$3.50.

Business Booms and Depressions—Since 1775—Comparative chart of price trends, national income, federal debt, business activity, etc.—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Insurance and Bank Stocks—Ready reference table giving comparative figures—White & Company, Mississippi Valley Trust Building, St. Louis 2, Mo.

Wall Street Commentator—Digest of current events in the financial markets of North America, with reviews and analyses of specific situations appearing to offer exceptional investment and/or profit possibilities — Bennett, Spanier & Co., Inc., 105 S. La Salle Street, Chicago 3, Ill.

Consolidated Rock Products Co.—Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Estabrook & Co. to Admit

BOSTON, MASS. — Stedman Buttrick will be admitted to partnership in Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges, on Jan. 3.

Mosher Attacks President's Wage-Earnings Policy

NAM Executive Says It Will Prevent Full Employment, Will Benefit Only Small Groups of Workers and Will Be Fatal to Small Business. In New England Addresses, He Accuses Department of Commerce of Producing "Conjectural Jingosim" to Support CIO Wage Demands and Criticizes Government Forecasters for Ignoring Pyramiding Effects of Wage Increases. Holds Labor-Management Conference Was "No Flop" and Calls for Legislation to Place Labor and Management on Equal Basis in Collective Bargaining.

Ira Mosher

Ira Mosher, President of the National Association of Manufacturers, issued a statement on Dec. 21 in which he strongly denounced the President's directives to the fact-finding boards regarding the consideration of company earnings in wage awards.

"President Truman's statement yesterday," Mr. Mosher stated, "that wages are paid out of earnings, and that fact-finding boards should have the legal right to examine the books of employers, is a perfect example of that type of thoughtless and short-sighted political policy which is largely responsible for much of the present labor difficulty in this country and which is bound to stop progress and prevent full employment in the coming years if approved and applied."

"What the Chief Executive is saying in effect," Mr. Mosher continued, "is that wages must be based upon 'ability to pay' and that 'ability to pay' is measured by the earnings of a company. This is a fundamental economic fallacy because the ability to pay must be measured by productivity, not by earnings."

The rest of Mr. Mosher's statement follows:

Ability to pay as measured by earnings would mean that whenever there is technological improvement in the productive process, thereby reducing the cost of production, the full benefit of the improvement would be passed along to a small group of workers in the form of higher wages instead of to the public in the form of lower prices. Had that policy been in effect over the past generation our mass markets could not have developed and we would still be in the handicraft stage of our grandfathers.

Further, ability to pay as measured by earnings, if that is to be adopted as a national policy, would mean that Government must support a reduction of pay for all workers in companies which are operating at a loss. American business will not support such a policy. Certainly labor would not want it. And no Administration which has the interest of labor sincerely at heart would seriously suggest such a policy if it took the time to think through the problem.

In every year between 1913 and 1940, except during the First World War (1916-1919), at least 40% of our business corporations showed no net income, and in 1932 almost 84% showed no net income. In other words, except in wartime, never more than three out of five business corporations have any net earnings, and in all but the most prosperous years never more than two out of every five have net earnings.

Finally, ability to pay as measured by earnings would mean the freezing of our industrial system into the hands of businesses with established earning capacities because they would be the only ones able to pay the wages established under this formula. It means simply that new businesses cannot start, the little fellows get squeezed out, and we move to the "corporate state" with the Government determining prices, profits, investment, and who shall work where and for how long and at what wage.

The President's proposal that wages should be determined by ability to pay as measured by earnings would be contrary to the public interest because:

The benefits of increased efficiency would not be passed on to the public in the form of lower prices as they have been in the past;

It would hurt labor, because under this formula wage rates must be reduced when earnings decline; and

It would undermine our system of political and economic freedom because competition would be eliminated and there would

(Continued on page 3160)

SAN FRANCISCO TRADING IN NEW YORK STOCKS

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank and Insurance Stock Digest—data on interesting situations—Geyer & Co., 67 Wall Street, New York 5, N. Y.

Canadian Funds in New York—A chart covering the period Jan. 1, 1919 to June 1945, which records monthly high and low averages of the Canadian Dollar in terms of the United States Dollar—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Expanding Markets for Electronics—discussion in the **Fortnightly Market and Business Survey**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Industry Trends—in the retail and building trades—memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available are memoranda on recent railroad reorganization developments and the **Fortnightly Investment Letter.**

Investing for Appreciation—suggestions—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

New England Company—Analysis of company established in 1862 on which there are arrears on the 5% $100 par preferred stock of $67.50 and interesting recent earnings range per share after taxes—ask for analysis M. C. P.—Raymond & Co., 148 State Street, Boston 9, Mass.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Bowser, Inc.—special study—Goodbody & Co., 115 Broadway, New York City.

Also available is a special study of **Oxford Paper.**

California Consumers Corporation—detailed analytical study—Straus & Blosser, 135 S. La Salle Street, Chicago 3, Ill.

Also available is a study of **United Stockyards Corporation.**

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Oregon Portland Cement, Riverside Cement,** and **Spokane Portland Cement.**

Consolidated Gas Utilities and The Chicago Corp.—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; Douglas Shoe; TACA Airways; American Window Glass; Lamson & Sessions;** and **Purolator Products.**

A. De Pinna Company—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Federal Water & Gas Corporation—Memorandum—J. G. White & Company, 37 Wall Street, New York 5, N. Y.

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co. Inc., 111 Broadway, New York 6, N. Y.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.; Red Rock Bottlers,** and a new analysis of **Panama Coca-Cola.**

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also detailed circulars on **Fashion Park, Shatterproof Glass, Wellman Engineering Co.; Walt Disney Productions; Foundation Company;** and **Segal Lock & Hardware.**

Le Roi Company—Study of common stock as a sound speculative purchase—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways, York Corrugating, American Insulator.**

Leland Electric, U. S. Truck Lines, Inc., and **Standard Stoker Co.**—memoranda—Otis & Co., Terminal Tower, Cleveland 13, Ohio.

P. R. Mallory & Co., Inc.—analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Merchants Distilling Corp.—recent analysis—Faroll & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also available is an analysis of **Standard Silica Corp.**

Midland Utilities and **Midland Realization**—detailed study—write for circular M-3—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

New England Lime common—Descriptive circular—Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

• **New England Public Service**—an appraisal of outlook and possibilities—Daniel F. Rice & Co., 14 Wall Street, New York 5, N. Y.

Northern Engineering Works—Circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Nunn-Bush Shoe—new memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Public National Bank & Trust Co.—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Also for dealers only are analyses of **National Radiator Co.** and **Republic Pictures.**

Railways & Light Securities Co.—Descriptive memorandum on oldest leverage investment company in the United States—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Reda Pump—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelpha 2, Pa.

Also memoranda on **Gear Grinding Machine Co.** and **United Printers & Publishers.**

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

U. S. Sugar—Circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **Wellman Engineering** and **Du Mont Laboratories.**

Wellman Engineering Co.—memorandum—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Wellman Engineering Co.—circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

To Admit Partner

SPOKANE, WASH.—Louis H. Hachez will be admitted as a partner in L. F. Hachez & Co., Paulsen Building. Prior to serving in the U. S. Army, he was a partner in the firm.

David McKnight With G. H. Walker in N. Y.

G. H. Walker & Co., 1 Wall Street, New York City, investment bankers, announce that David W. McKnight, formerly V.-Pres. of Argus Research Corporation, is now associated with their firm as Director of Research. Mr. McKnight had been with Argus Research since 1934; prior to which time he was Railroad Editor of the "Journal of Commerce." For several years he was a member of the faculty of New York University School of Commerce.

David W. McKnight

New School Lectures On Shape of Peace

The New School for Social Research, 66 West 12th Street, New York City, announces a series of four January lectures on "The Shape of Peace." First of the series will be "The Shape of Peace," by Hans Kohn on Jan. 3rd; Aaron Levenstein is the second speaker scheduled, for Jan. 7th, his topic being "Labor After the War: Labor and Technology"; Leo M. Cherne will speak on Jan. 10th on "Economic and Social Developments in the United States"; on Jan. 14th, J. Raymond Walsh will speak on "American Politics at the End of an Era."

All lectures will be held at 8:30 p.m. Admission is $1.50.

Allen Beers to Form Own Investment Firm

PHILADELPHIA, PA.—Allen E. Beers will form his own investment firm shortly. He was formerly associated with Euler & Co. and was a partner in Allen E. Beers & Co. of Allentown.

King Murphy in Atlanta

ATLANTA, GA.—King Murphy is engaging in the investment business from offices in the Healey Building.

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(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **William L. Christy, Lyle W. Hamann** and **James R. Murphy** have rejoined the staff of **Central Republic Co.**, 209 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Everett F. Seegers** has become associated with **Howard F. Detmer & Co.**, 105 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **John P. Noonan** has become connected with the **First Securities Co. of Chicago**, 134 So. La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Herbert J. Burt** has rejoined **W. C. Gibson & Co.**, 231 South La Salle Street, after completing his service with the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Hyde Gillette** has rejoined **Glore, Forgan & Co.**, 135 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**John H. Jackson** has rejoined **Harriman Ripley & Co., Inc.**, 135 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Paul Joseph Bax** has returned to **Kidder, Peabody & Co.**, 135 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Clymer S. Bowen** and **Edward J. Dalton** have become associated with **Merrill Lynch, Pierce Fenner & Beane**, Board of Trade Building, after serving in the armed forces. Mr. Bowen was formerly with Bacon, Whipple & Co.; Mr. Dalton was with Merrill Lynch, Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Martin De Table, Jr.**, is with **David A. Noyes & Co.**, 208 South La Salle Street, after serving in the armed forces.

CHICAGO, ILL. — **George H. Hall** has become affiliated with **Faroll & Company**, 208 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Arthur H. Bothen** has rejoined **First Securities Company of Chicago**, 134 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Russell G. Longmire** has rejoined **W. C. Gibson & Co.**, 231 South La Salle Street, after serving in the U. S. Army Air Forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **M. Scott Bromwell** and **Richard P. Matthiessen** have rejoined **Halsey, Stuart & Co., Inc.**, 123 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert M. Barnes** has become associated with **Lazard Freres & Co.**, 231 South La Salle Street. He was formerly with Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Samuel S. Barton** is now with **Merrill Lynch, Pierce, Fenner & Beane**, Board of Trade Building. He was previously in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **William B. Pierce** has become associated with **Slayton & Co., Inc.** He was formerly with Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **William B. McNulty** has joined the staff of **Ames, Emerich & Co., Inc.**, 105 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Benjamin Crawford** has rejoined **Bacon, Whipple & Co.**, 135 South La Salle Street, after serving in the U. S. Army.

CHICAGO, ILL. — **Harold N. Forbis** has rejoined **A. G. Becker & Co., Inc.**, 120 South La Salle Street. He has recently been serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **James D. Lynch** has rejoined the staff of **A. G. Becker & Co., Inc.**, 120 South La Salle Street, after service with the U. S. Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Andrew D. Buchan** and **William J. Gratza** have returned to the **First Boston Corporation**, 231 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Donald C. Pearson** has been added to the staff of **W. C. Gibson & Co.**, 231 So. La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Paul Hackbert**, who has been serving as First Lieutenant in the U. S. Army has rejoined **Goldman, Sachs & Co.**, 208 South La Salle Street. He was overseas thirty-four months in an anti-aircraft division.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Lore W. Alford** has rejoined Harris, Hall & Co., Inc., 111 West Monroe Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Ray R. Kidd**, is with **Slayton & Co., Inc.**, after completing his service with the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Edward E. Liening** has rejoined **Valiquet & Co.**, 135 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Albert S. Hammer** has been released from active duty as Captain in the U. S. Air Corps, and is again with **John Nuveen & Co.**, 135 South La Salle Street.

Arthur Bothen Rejoins First Securities Co.

CHICAGO, ILL. — Arthur H. Bothen has rejoined First Securities Company of Chicago, 134 South La Salle Street, after 21 months' duty with the Army in the South Pacific. He will be in their Sales Department and will also continue to handle the underwriting of Tax Anticipation Warrant issues covering Illinois Municipalities. Mr. Bothen has been on La Salle Street since 1931.

Rutherford Rejoins Lewis

CHICAGO, ILL.—Lt. D. M. Rutherford has been released from the United States Army and has returned to the Buying Department of Benjamin Lewis & Co., Field Building.

Howard Taylor Joining Hornblower & Weeks

BALTIMORE, MD.—Howard R. Taylor, member of the Baltimore Stock Exchange, has become associated with Hornblower & Weeks, Keyser Building, and is liquidating the investment business which he has conducted as Howard R. Taylor & Co. since 1908. Mr. Taylor served as a member of the Board of Governors of the Baltimore Stock Exchange from 1935 to 1941 and was President of the Exchange from July, 1942, until last June. Hornblower & Weeks, established in 1888, are members of the New York Stock Exchange and other leading national Exchanges.

Warner Orvis Rejoins Orvis Bros. & Co.

Com. Warner D. Orvis

Commander Warner D. Orvis, after two and one-half years' service in the United States Navy, as officer in charge of the Industry Cooperation Division, Office of Procurement and Materiel in New York, has been released from active duty and has resumed his place as a general partner in Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York Stock Exchange.

Raymond Sargeant Is With Hogle in Denver

DENVER, COLO.—Raymond E. Sargeant has become associated with J. A. Hogle & Company, Equitable Building. Mr. Sargeant, who for the past three and one-half years has been in the U. S. Navy, was formerly a partner in Sargeant, Malo & Company of Denver for ten years.

Name to Be Carr & Co.

DETROIT, MICH. — The firm name of Carr, Chapin & Co., Penobscot Building, members of the Detroit Stock Exchange, will be changed to Carr & Co. Roy F. Chapin will retire from partnership in the firm. Partners in Carr & Co. will be Howard F. Carr and Valette D. Eis, both members of the Detroit Exchange, general partners, and Sewart N. Lawson, special partner.

Diamond, Turk Admit

Diamond, Turk & Co., 30 Pine Street, New York City, members of the New York Curb Exchange, admitted Richard W. Weinberg to partnership in the firm on Dec. 17.

Paul A. Davis Opens Office

MIAMI, FLA. — Paul Arthur Davis has opened offices in the Shoreland Building to engage in the investment business. Mr. Davis was previously with Frank D. Newman & Co. and Corrigan, Miller & Co.

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Canadian Securities

By BRUCE WILLIAMS

Bretton Woods and whither now? With the virtual certainty of hasty implementation of this ambitious international currency plan before the year-end deadline many exchange doubts should soon be put to rest. What of the long-awaited restoration to its old parity of the Canadian dollar, and of the fate of sterling which has such a vital bearing on the Canadian currency level?

In spite of the wishful thinking of many recent speculative investors in Canadian internal securities a logical appraisal of the situation leads to the conclusion that there will be no change in the initial relationships of the U. S. and Canadian dollars and sterling.

During the war years, Canada in particular has based its whole economy and its very efficient system of controls on the 90 cent dollar. In the present world state of doubt and confusion any recognized stability is not to be lightly abandoned. The transition from the old system to the new will be accomplished with the minimum of dislocation if the basic common factor of a 90 cent Canadian dollar and 4 dollar pound is retained.

With the sterling dollar ratio unchanged, the realignment, if necessary, of other currencies will be greatly simplifed. Some contemplated devaluations might be postponed until it is possible better to assess an appropriate level based on world trade movements under freer conditions. Currency devaluation in itself is not a remedy for economic ills, and it can become a bad habit.

Thus the maintenance of the existing parities of the leading currencies could exert a considerable psychological influence on other countries. Apart from the question of the preservation of currency stability throughout the world, there is also the more pressing factor of self-interest.

There is no immediate advantage to Britain to devalue the pound—for some time imports will rank before exports. This country is interested in the revival of international commerce and the elimination of currency wars. In the case of Canada there is even more concern regarding the maintenance of existing exchange rates.

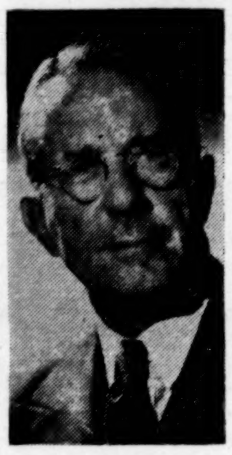
Export trade is the life-blood of the Dominion and its proportion to national income is the largest in the world. Even with the implementation of the Bretton Woods plan there will still be import quotas and until there is a large measure of freedom of world trade Canada can not afford to make her exports more expensive by voluntarily raising the value of the Canadian dollar. At a later stage ,however, world economic conditions and the progress of Canadian development are likely to make it difficult for the Dominion to resist the upward pressure on its currency.

Turning to the market for the past week, in spite of the holiday influence there was still an active demand for high grade externals, and Nationals pushed still further beyond their all-time highs. Montreals and Albertas were less active although prices were fairly well maintained.

Internals were in steady demand and free funds were steady at 9 3/16%. There was renewed display of interest in Steep Rock Iron which rose to 2.90. This development has highly promising prospects which should ultimately be reflected marketwise.

With regard to future prospects although the general level is high there is more likelihood of further advance rather than recession. There is still a differential in favor of Canadian high grades in contrast with comparable domestic securities and demand continues far to outstrip the supply.

Johnston Director of Am. Business Shares


Henry R. Johnston

Henry R. Johnston, Treasurer of the Committee for Economic Development, has been elected a director of American Business Shares, Inc., C3 Wall Street, New York City, it was announced by Andrew J. Lord, President. Mr. Johnston was at one time Vice-President in charge of the Trust Department of Manufacturers Trust Co. and later President of the investment firm of Case, Pomeroy & Co., Inc.

Yale Securities Co.

Yale Levin is forming Yale Securities Co. with offices at 2751 University Avenue, Bronx, N. Y., to engage in the securities business. Mr. Levin was formerly associated with Roggenbrug & Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE. JR.

Following a mild recession the middle of last week, caused by reports that the differential discount rate would be eliminated, the market turned strong when no action was taken and prices again moved into new high ground. . . . Volume was not heavy and activity was somewhat restricted since the financial district was also in a holiday mood. . . . The upswing this time was led by the restricted 2¼s due 1956/59, and this issue went on to a new alltime high. . . . Close behind was the bank eligible 2½% due Sept. 15, 1967/72, which sold above 108 for the first time. . . . The partially exempts kept pace with the rest of the list, as the last four maturities pushed on to new alltime tops. . . .

FULLY DISCOUNTED

Reports that the differential discount rate would be eliminated caused a short-lived flurry in the market. . . .The importance of this rate change as a market factor seems to have been quite fully discounted. . . . Rumors of a rate change were given considerable publicity after the Seventh War Loan and had the market confused for a short period. . . .

It turned out to be a good buying opportunity at that time when prices receded temporarily, as weak holders were shaken out of their securities. . . . It will again be a good time to buy if the market should lose its equilibrium because of the elimination of this discount rate, or rumors to that effect. . . .

The dealers will probably find that their borrowing rate from the banks will be increased if the differential discount rate is removed and this could cause some selling from these sources. . . This would be a good opportunity for investors to pick up issues they can use if prices should recede. . . .

BULGING TREASURY

It is indicated that the Victory Loan total will amount to more than $22 billions, which probably means that the Treasury will be out of the market for new money until the early fall of 1946. . . . Fear that the 2½s due Dec. 15, 1967/72 would be the last long-term high coupon issue to be offered for a considerable period resulted in a great scramble to buy this bond. . . .

Accordingly it is believed that this obligation will be outstanding in an amount in excess of $11 billions which would mean that purchases of this bond alone would be greater than the entire goal set by the Treasury for the drive. . . . Thus the 2½s due Dec. 15, 1967/72 will be the largest marketable issue, taking over the position previously held by the 2% due Dec. 15, 1952/54, and the 2% due Sept. 15, 1951/53. . . .

The 2¼s due Dec. 15, 1959/62, as previously indicated, will be a much smaller issue although purchases will be in excess of $3 billions, which would bring it in line with the 2¼s due 1956/59, which are outstanding in the amount of $3,823,000,000. . . . The large subscriptions to the 2½s will increase slightly the debt service, which leads some in the financial district to believe that the Treasury will offset it by the continued refunding of the high coupon callable obligations with short-term low coupon issues. . . .

NEXT YEAR?

Probably the most important point of concern among money market experts is the policy to be followed by the Treasury in refunding callable and maturing obligations during 1946. . . . The program that will be adopted will have an important bearing on the Government bond market. . . .

It is believed in some quarters that the Treasury, in order to offset the inflationary potentialities of the large bank deposits, to say nothing of the future increase that will take place in them, should refund the callable and maturing obligations with issues that are suitable for purchase by the insurance companies and savings banks. . . . This would entail some increase in the debt service, but it was pointed out that this would be much less expensive than the cost that would be exacted by inflation. . . .

The Treasury will not need much new money in the future so it is now in a position to put a debt conversion program into operation. . . . A substantial amount of the outstanding certificates, largely held by the banks, should be converted into long-term 2¼% and 2½% bonds, which would be sold to non-bank investors. . . . This would cut down the amount of bank deposits and purchasing power, which are not needed at this time. . . . This would also tend to prevent the restricted bonds from rising too sharply. . . .

ANOTHER WAY

Even if the Government should not see fit to offset to a considerable extent the inflationary implications of present and increased deposits, it could improve its future borrowing position by eliminating some of the floating debt through the offering of some long-term high coupon obligations to the non-deposit institutions and some medium-term securities to the commercial banks. . . .

This would likewise have a beneficial effect on the Government bond market, since it would prevent the presently outstanding issues from going to prices which many of the commercial banks can no longer afford to pay. . . .

It would also keep these institutions, principally the smaller ones, from buying non-Government low quality obligations, that caused so much of their trouble in the past. . . .

IDES OF MARCH

It may be that the market will get a clue to the policy the Treasury will be committed to. when notice is given as to the way the March maturity of 1% notes and the 3¾% partially exempt bonds are going to be handled. . . .If these issues are refunded with certificates, it is quite likely that the Treasury is still confining itself to the policy of cutting debt charges without too much concern about future consequences. . . . The 3¾% is a small issue and may be paid off in cash. . . . This would reduce deposits somewhat and might indicate a change in policy. . . .

On June 15 when the partially exempt 3s and 3⅛s will be retired. there will probably be a much clearer conception of the Government's future refunding program. . . .

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Ohio Municipal Comment

The year 1945 draws to a close with prices of Ohio municipals continuing the upward march toward the peak levels which obtained in the bull market for tax-exempts earlier in the year. Indeed, recent evidence suggests that the Ohio market has more than regained the formidable position it enjoyed prior to the sharp setback suffered by the entire municipal field in consequence of V-J Day.

The point is perhaps best illustrated in a comparison of the standing of the market early in September and at the present time. The record, according to weekly data compiled by J. A. White & Co., Cincinnati, shows that the composite yield on 20 Ohio bonds is now 1.29%, as against 1.40% in the September period. In the case of 10 high-grade bonds, the current yield is 1.13% as compared with 1.19%.

The sharpest advance has taken place in the 10 lower grade bonds, the present level of 1.45% being in contrast with the 1.65% figure which obtained several months ago.

In short, the Ohio municipal market has participated fully in the recent marked improvement in the price level of municipals generally and gives every indication of making additional gains.

* * *

Among recent new issue offerings, all of which have been awarded on extremely favorable terms to borrowers, the outstanding items were those presented by the cities of Elyria and East Cleveland.

The Elyria bonds, amounting to $1,325,000, were taken by an account headed by Stranahan, Harris & Co., Inc., Toledo, and including Ryan, Sutherland & Co., and Roose & Co. The group paid a price of 100.634 for the $1,175,000 water works improvements as 1¼s, and 100.291 for the $150,000 limited tax sewers. The former issue matures on Sept. 1 from 1947 to 1976, inclusive, and optional on and after Sept. 1, 1956, while the limited tax loan is due annually from 1947 to 1956, inclusive.

The reoffering scale was from 0.50% to 1.25% and the underwriters succeeded in placing more than half of the offering in the first day.

The East Cleveland issue of $250,000 general building improvement bonds, due from 1947 to 1956, inclusive, war awarded to the Ohio Company of Columbus, on a bid of 101.292 for 1s, making a net interest cost to the borrower of no more than 0.79%. The bonds were not reoffered.

* * *

While the current calendar of prospective awards includes a number of substantial loans, the principal contender is Franklin County, which will open bids Jan. 4 on a total of $1,900,000 bonds, being part of the $9,500,000 authorized by the voters at the Nov. 6 election.

The offering consists of five separate issues, with the overall maturity dates being from 1947 to 1970, inclusive.

Gottron, Russell Co. Formed in Cleveland

CLEVELAND, OHIO—Gottron, Russell & Co. will be formed as of Jan. 2nd, to succeed Gillis, Russell & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Partners will be James N. Russell and Richard A. Gottron, Exchange member.

Webb With Paul Davis

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Cecil A. Webb has become associated with Paul H. Davis & Co., Union Commerce Building. Mr. Webb was formerly with Thomson & McKinnon in Orlando, Fla. Prior thereto he was with Goodbody & Co., Courts and Co. and Beer and Co. in Atlanta. In the past he with with Henry Zuckerman & Co. in New York City.

Six Cleveland Men Appointed by ABA

CLEVELAND, OHIO—Frank C. Rathje, President of the American Bankers Association, has appointed six prominent Cleveland bankers to the working organization of the Association.

Among the appointments were: Brigadier General Leonard P. Ayres, Executive Vice - President of Cleveland Trust Co., made Chairman of the Economic Policy Commission.

Loring L. Gelbach, President of Central National Bank, made Chairman of the Board of Regents of the Graduate School of Banking.

Sidney B. Congdon, President of National City Bank, named to the Postwar Small Business Credit Commission.

Francis H. Beam, Vice-President of National City, appointed Chairman of Subcommittee on Section 5219 U. S. Revised Statutes of the Committee on Federal Legislation.

R. S. Douglas, Assistant Counsel of Cleveland Trust, a member of the Committee on State Legislation, and Chairman of the Subcommittee on Assignment of Accounts Receivable Legislation of the Committee on State Legislation.

Dale Brown, Assistant Vice-President of National City, named to Public Relations Council.

Skall Cited for Merit

Lieutenant Colonel David G. Skall, well known Cleveland broker, who also was active in Cleveland Stock Exchange affairs before entering the Army Air Corps, has been awarded a citation for Legion of Merit.

The citation reads: "For exceptionally meritorious conduct in the performance of outstanding services in the Headquarters Army Air Forces from June 10, 1943, to Sept. 3, 1945.

"Lieutenant Colonel Skall demonstrated exceptional initiative and efficiency in determining the rapidly changing requirements of the Pacific Theater for air units; in balancing these requirements against available resources and capabilities, and in developing and executing plans by which these requirements were met within the time schedule imposed by combat operations. As a result of his imagination and resourcefulness, the weight of air power brought to bear against Japan was measurably increased."

Ohio Personnels

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—**John E. Dippery** and **Harry E. Schwall** are with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Hilda M. Marquart** has become associated with **Livingston, Williams & Co., Inc.**, Hanna Building. Miss Marquart was formerly with the Cleveland Trust Company.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—**Henry T. McKee** is now affiliated with **E. H. Rollins & Sons, Inc.** He has recently been in the armed forces. In the past he was with Lowry Sweney, Inc.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO — **John D. R. Barbour** has rejoined the staff of **McDonald & Company**, after serving in the armed forces.

Ohio Brevities

Pathe Industries, Inc., which announced last week that it had entered into an Anglo-American reciprocal agreement for the distribution of a number of outstanding British and American films throughout the world, has called a special meeting of the holders of Pathe common for Jan. 7 to vote on a proposal to split the stock 10-for-1.

It was reported at the same time that stockholders of Commonwealth Securities, Inc., and V. D. Anderson Co., both of Cleveland, had approved merger of the two companies with Pathe Industries.

In a notice to Commonwealth holders, Secretary William R. Daley said that as provided in the agreement of merger, each share of Commonwealth Securities preferred was convertible into 3/10ths of a share of Pathe preferred (par value $100 a share), and .275 of a share of Pathe common stock (par value $5 per share), and each share of Commonwealth common was convertible into 1/45th of a share of Pathe common ($5 par value).

Robert R. Young, chairman of Alleghany Corp. and Chesapeake & Ohio Railroad, who also holds a controlling interest in Pathe Industries, stated the Young interests and J. Arthur Rank, British movie magnate, will operate a world-wide distributing system, starting next September, with a minimum of 20 films, ten British films from the Rank Group and 10 American films from the Young interests, under the trade-mark, "Eagle Lion," which the Rank Group is already using throughout the world.

In the U. S., the Young interests will form a new company to handle the distribution in the U. S. and Central and South America, including Mexico. It will be owned by Pathe and will be known as Eagle Lion Films. To enable this name to be used, the name of the existing Rank Group in the U. S., Eagle Lion Films, Inc., will be revised, the statement continued.

Distribution in the British Isles and throughout the rest of the world will be handled by the present Rank organization.

"The American films to be contributed by the Young interests through the Eagle Lion distribution system will be high budget pictures made by the outstanding Hollywood independent producers.

"The British films will be selected from the finest product of the producing organizations in the Rank Group, with the exception of those films to be distributed by United World Pictures Co., formation of which was announced Nov. 28," it continued.

Negotiations were conducted by G. I. Woodham Smith of London, England, representing Mr. Rank. Kenneth M. Young, President of Pathe, signed for the Young interests with Robert S. Benjamin of New York, as counsel.

* * *

George C. Brainard, Chairman of the Federal Reserve Bank of Cleveland, will take over the posts of President and General Manager of Addressograph - Multigraph Corp. on Jan. 1. He has left his position as president of General Fireproofing Co. of Youngstown, O., but will remain as a director.

Brainard, who has been on the board of Addressograph for a number of years and who also has participated in the company's postwar production plans, succeeds Joseph E. Rogers, who will continue as chairman of the executive committee and a director.

* * *

White Motor Co. has purchased a government-owned plant in Cleveland for $807,350 from Reconstruction Finance Corp. and reports that it will center its expanded bus-building program in this plant starting next summer. It is planned to triple the company's annual output of 500 buses turned out before the war.

R.F.C. also said that Thompson Aircraft Products Co., subsidary of Thompson Products, has bought a government-owned portion of its Euclid, O., plant for $5,000,000 and that Ohio Crankshaft Co., Inc., has purchased a plant for $608,000.

* * *

A group headed by Northern Trust Co. of Chicago, purchased $1,175,000 City of Elyria, O., 1.25% water works improvement bonds due Sept. 1, 1947-1976. The bonds were scaled from .50 to 1.25% yield.

Three Ohio firms in the group were Stranahan, Harris & Co., Ryan, Sutherland & Co. and Roose & Co.

* * *

A total of 700,000 common shares of Alleghany Corp. common stock was offered to selected dealers by Otis & Co. at $5.75 a share, less a commission of 37½ cents per share. The offering did not represent new financing by the company.

* * *

This Saturday, M. A. Hanna Co., Cleveland, will become the largest stockholder in Pittsburgh Consolidation Coal Corp., world's biggest commercial producer of bituminous coal.

On that date, the merger of Bessemer Coal & Coke Corp. of Pittsburgh, with M. A. Hanna Co. is effective.

Hanna directors voted the merger overwhelmingly. Out of a total of 971,764 common shares entitled to vote, 889,829 shares were voted for the merger while 125 shares were voted against.

* * *

Charles B. Merrill, president of Merrill, Turben & Co. of Cleveland, is the new member of the Board of Governors of the Investment Bankers Association of America. Merrill, who succeeds Maynard H. Murch of Maynard H. Murch & Co., Cleveland, was chosen to the three-year term earlier in the month at Chicago. Merrill also is president of Western Reserve Investing Corp., is a member of the Cleveland Stock Exchange and the Bond Club. Another Ohioan, Hazen S. Arnold of Toledo, was elected a vice-president of the Investment Bankers Association.

* * *

Charles M. Lemperly, Vice-President and director of sales, and Gordon H. Robertson, have been elected to the Board of Directors of Sherwin - Williams Co., Cleveland, world's largest paint and varnish manufacturers. Robertson is Vice-President and General Manager of Acme White Lead & Color Works, Detroit, Sherwin-Williams subsidiary.

Directors appointed M. J. Fortier as Vice-President and general manager of Sherwin-Williams Co. and Sol B. Coolidge was named Vice-President and director of auxiliaries which includes the management of the company's smelters, oil mills, and pigment and can manufacturing plants.

* * *

First National Bank of Scranton, Pa., submitted the winning bid of 1⅜% for $350,000 Erie Railroad promissory notes to finance less than 80 per cent of the cost of 100 seventy-ton covered hopper cars to be built by Greenville, Pa., Steel Car Co.

Erie officials said the bid was believed to be the lowest rate of interest ever received for that type of security with a final maturity of 10 years.

The notes, evidence of indebtedness under a conditional sale agreement, were dated January 1, 1946 and will mature quarterly from June 1, 1946 to March 1, 1956.

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Railroad Securities

Southern Railway pretty well typifies the progressive improvement during the war years in the credit standing of roads formerly characterized as marginal. Not too many years ago even the highest coupon series of the Development & General (junior) Mortgage could be purchased in the 20s. Even as recently as last year the highest coupon series was available at a discount from par. Now the company is not able to buy them at wide premiums over par. Some time ago the company offered to purchase up to $5,000,000 of the 6½s and 6s at 123 and 118, respectively. This offer met with such a cold reception that when it expired on Nov. 30 it was extended to Dec. 24. It is indicated that even the extension of the time limit brought in few, if any, bonds.

General money market conditions and the steady contraction in the amount of railroad bonds outstanding may be cited as contributory factors to the present market appraisal, but the most important consideration has undoubtedly been the change in the status of the road itself. The Southern management was one of the first to embark on an aggressive debt retirement program. After liquidating temporary loans contracted during the depression (to a large extent to meet principal maturities) the management turned its attention to the high coupon series (6% and 6½%) of the junior mortgage and more or less concentrated there, where the greatest interest saving was promised, up to the present.

As a result of the debt program, and without considering any bonds that may have been retired through the purchase offer, fixed charges have been reduced to around $12,100,000. This represents a cut of some 27% from the burden supported ten years ago. Ever since 1932 the road's annual earnings have run pretty well above that figure. It is generally considered now that the company should have little difficulty in covering its obligatory requirements by a substantial margin under virtually any foreseeable conditions. In addition, with its strong financial status and favorable earnings prospects, it is expected that the program of reducing debt and charges will be continued.

With the obvious improvement in the road's credit standing and the substantial reduction there has been in interest charges in recent years, the equities, and particularly the common, have been attracting a considerable amount of speculative and semi-investment buying. The common has reacted from the earlier 1945 high of 60 and in recent markets has been selling to afford a return of better than 5% on the 1945 dividend rate of $3 a share. Naturally, earnings this year are being distorted by such extraordinary items as accelerated amortization but even at that it is expected that final results will show better than $7 a share on the common. In 1944 the company earned close to $15 a share.

There are too many uncertainties in the immediate picture to make any intelligent estimates for earnings for a specific period such as 1946. A lot will depend on the effect on industry generally of current and pending strikes. There will also be the question of the extent of wage increases for rail labor and to what extent such increases will be retroactive. That there will be some increase is hardly open to question. There will naturally be a lag between wage increases and any possible compensating upward adjustment of railroad freight rates. Finally, there will be the question of the possible influence on near term earnings of tax carry-backs.

While near and intermediate term earnings for specific periods will be subject to wide distortions by outside factors, it is possible to estimate what the basic earning power of the road may be ex the distortions. Over a period of years Southern has benefited traffic-wise from the industrial expansion of the South. This is still a factor. Many plants established for war uses will presumably continue in operation in a peace economy. Since the depression years Southern has installed a considerable amount of new equipment with a consequent saving in operating costs. Substantial sums have also been spent on additions and betterments to the properties with consequent economies. Interest costs have been shaved as outlined above. Both from the standpoint of traffic potentialities and the standpoint of costs and charges ahead of the equities, then, Southern is well situated. Unless all present ideas as to the general national economy over the next few years prove to be ridiculously overly optimistic Southern should have little difficulty in keeping earnings at, or above, the $7 estimated for 1945. Obviously, this affords adequate protection to the recent dividend rate.

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Very High Frequency Space Radio for Train Communication

By P. B. TANNER*

Manager, Radio Sales Dept., Bendix Radio Corporation

Mr. Tanner Describes the Two Forms of Radio Train Communication in Use Today and Points Out That the Underlying Differences Between Them Is in the Wave Frequencies. Points Out That the VHF Space Radio Broadcasts Waves in All Directions and Does Not Require an Inductive Carrier System by Means of Wayside Wires. Holds That Although the Range of the VHF Radio Is Short It Has the Advantage of Less Interferences and Is Better Adapted to a "Warning" Purpose. The VHF Radio Is Also Free From Atmospheric Noises and Man-Made Static and Is Light and Portable and Involves Less Operational Problems as Well as Being Lower in Cost

We at Bendix realize that the acceptance of railroad radio will depend in the final analysis upon whether its use will result in worthwhile economies in daily railroad operations. After Mr. Hasselbacher's talk (See "Chronicle" of Dec. 20, page 3016.—Editor), I don't think there can be any question in your minds but that these economies will be very far-reaching, and as he has intimated, our experience is still too limited to permit foreseeing further economies which may develop from the general use of radio by railroads.

P. B. Tanner

As most of you probably know, there are two forms of train communication in use today, the inductive carrier system, and very high frequency space radio. The inductive carrier system has been used for a period of years but its general acceptance has been delayed due to the technical limitations of the early equipments. In the meantime, in the past year and a half to be exact, the success obtained with very high frequency radio in military aviation has led to the development of the VHF space radio system for railroad use. Bendix Radio is proud to have had a leading part in the development of this new system, together with forward-looking railroads such as the Burlington, the Sante Fe, the Baltimore and Ohio and several others.

Without going too deeply into a technical discussion, the differences between the two systems stem principally from the different frequencies or wave-lengths on which they operate. The inductive carrier systems use low frequencies, generally in the neighborhood of 100 kilocycles, that is, with wave-lengths in the order of 3,000 meters. The VHF or very high frequency space radio system operates on frequencies between 158 and 162 megacycles, or wave-lengths of only about two meters. You can appreciate that the characteristics of these two frequencies are quite different.

The outstanding difference in the two systems is the method of propagation of the electric waves which carry the messages. At the low frequencies employed in the inductive carrier system, the waves tend to follow the telephone or telegraph wires over which they are transmitted, and can be received satisfactorily only when the train is within a short distance of these wires—say up to 50 yards or so.

With VHF space radio, the waves are broadcast in all directions, and can be received anywhere within the range of the transmitter, just as in the case of your automobile radio.

It is immediately apparent that this dependence upon wayside wires constitutes a serious drawback to the use of the inductive carrier system in many phases of railroad operations. For example, in metropolitan areas, where wires are often carried underground, or on industrial sidings where no wires exist, the inductive system cannot provide communication. Likewise on the main line, when the wires do not follow the right-of-way, as in the case of wide curves or through deep cuts, the inductive carrier system is again at a disadvantage. In the same way, when storms prostrate the wire lines, inductive communication is often impaired, right at a

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*An address by Mr. Tanner before the Railroad Section of the New York Association of Security Analysts, Dec. 7, 1945.

(Continued on page 3155)

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The Anglo-Czechoslovak Monetary Agreement

Treaty Follows Same Pattern as Those With Members of Sterling Bloc, and Restricts Payments of Sterling Balances Outside the Sterling Area. Fixes Exchange Rate of 20½ Czechoslovak Crowns to £.

The "Chronicle" has received the official text of the Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Czechoslovak Republic, signed in London, Nov. 1, 1945. This document follows the lines of similar agreements made by Great Britain with other countries, but is distinctive in that it is the first treaty of this nature made with an important nation, not a member of the Sterling Bloc. Under the terms of Article 7 of the Agreement, both countries contract to renew the terms, if either of the contracting parties adhere to a general international monetary agreement. Since both Great Britain and Czechoslovakia have ratified the Bretton Woods Agreements, amendments to the Treaty may be required.

The following constitutes the full text of the agreement:

Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Czechoslovak Republic.

London, 1st November, 1945.

The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Government of the Czechoslovak Republic, of the other part, have agreed as follows:

Article 1.

(i) The rate of exchange between the Czechoslovak crown and the £ sterling shall be Kcs.201.50=£1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after mutual consultation.

(iii) In all territories where they have jurisdiction the Contracting Parties shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and the National Bank of Czechoslovakia, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2.

(i) The Bank of England (acting as agents of the United Kingdom Government) shall sell sterling to the National Bank of Czechoslovakia (acting as agents of the Czechoslovak Government) as may be required for payments which residents of Czechoslovakia, under the exchange regulations there in force, are permitted to make to residents of the sterling area—

(a) against Czechoslovak crowns to be credited at the official rate to the Bank of England's No. 1 Account with the National Bank of Czechoslovakia, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of Kcs.200 million: or

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the National Bank of Czechoslovakia amounts to Kcs.200 million, against gold to be set aside in the Bank of England's name at the National Bank of Czechoslovakia, Prague.

(ii) The National Bank of Czechoslovakia (acting as agents of the Czechoslovak Government) shall sell Czechoslovak crowns to the Bank of England (acting as agents of the United Kingdom Government) as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of Czechoslovakia—

(a) against sterling to be credited at the official rate to the National Bank of Czechoslovakia's No. 1 Account with the Bank of England, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of £1 million plus such additional sum as the Contracting Governments shall have agreed to recognize as equivalent to the net amount of sterling owned by residents of Czechoslovakia at the date on which this Agreement enters into force; or

(b) if the balance standing to the credit of the National Bank of Czechoslovakia's No. 1 Account with the Bank of England amounts to £ 1 million plus the additional sum referred to in sub-paragraph (a) above against gold to be set aside in the name of the National Bank of Czechoslovakia at the Bank of England, London.

(iii) The Bank of England and the National Bank of Czechoslovakia shall maintain minimum balances upon their No. 1 Accounts with each other, the amounts of which shall be determined by agreement between them.

(iv) Gold set aside in Prague in accordance with the provisions of this Article shall be at the Bank of England's free disposal and may be exported.

(v) Gold set aside in London in accordance with the provisions of this Article shall be at the National Bank of Czechoslovakia's free disposal and may be exported.

Article 3.

(i) The Bank of England shall have the right at any time to sell to the National Bank of Czechoslovakia, against all or part of the sterling balances held by that Bank, either Czechoslovak crowns at the official rate or gold to be set aside at the Bank of England in London.

(ii) The National Bank of Czechoslovakia shall have the right at any time to sell to the Bank of England, against all or part of the Czechoslovak crown balances held by that Bank, either sterling at the official rate or gold to be set aside at the National Bank of Czechoslovakia in Prague.

Article 4.

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Czechoslovakia for making—

(a) transfers to other residents of Czechoslovakia;

(b) payments to residents of the sterling area; or

(c) transfers to residents of countries outside Czechoslovakia and the sterling area to the extent to which these may be authorized by the Government of the United Kingdom under the arrangements contemplated in Article 7 (iii) hereof.

(ii) The Czechoslovak Government shall not restrict the availability of Czechoslovak crowns at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of Czechoslovakia; or

(c) transfers to residents of countries outside the sterling area and Czechoslovkaia to the extent to which these may be authorized by the Czechoslovak Government under the arrangements contemplated in Article 7 (iii) hereof.

Article 5.

The two Contracting Governments shall cooperate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

Article 6.

Any sterling held by the National Bank of Czechoslovakia shall be held and invested only as may be agreed by the Bank of England and any Czechoslovak crowns held by the bank of England shall be held and invested only as may be agreed by the National Bank of Czechoslovakia.

Article 7.

(i) If during the currency of this Agreement the Contracting Governments adhere to a general international monetary agreement, they will review the terms of the present Agreement with a view to making any amendments that may be required.

(ii) While the present Agreement remains in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and the National Bank of Czechoslovakia, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

(a) to make Czechoslovak crowns at the disposal of residents of the sterling area and sterling at the disposal of residents of Czechoslovakia available for payments of a current nature to residents of countries outside the sterling area and Czechoslovakia; and

(b) to enable residents of countries outside the sterling area and Czechoslovakia to use sterling at their disposal to make payments of a current nature to residents of Czechoslovakia, and to use Czechoslovak crowns at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 8.

For the purposes of the present Agreement—

(i) the expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom;

(ii) transactions between the Bank of England and the National Bank of Czechoslovakia are to be considered as transactions between the sterling area and Czechoslovakia;

(iii) transactions entered into by the Government of any territory within the sterling area or by the Czechoslovak Government are to be considered as transactions entered into by a resident of that area or of Czechoslovakia respectively.

Article 9.

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the 5th November, 1945. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement, and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the undersigned, being duly authorized by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London, in duplicate this 1st day of November, 1945.

For the Government of the United Kingdom of Great Britain and Northern Ireland:
(L.S.) ERNEST BEVIN.

For the Government of the Czechoslovak Republic:
(L.S.) Dr. RUDOLF KURAZ.

R. H. Johnson & Co. Offer Alaska Airlines Common Shares

A public offering of 125,000 additional ($1-par) common shares of Alaska Airlines, Inc., was made Dec. 26 by a group of underwriters headed by R. H. Johnson & Co., at $15.50 per share. The shares represent an additional offering out of an original authorized issue of 1,000,000 shares. The company's latest financial statement, dated July 31, showed a total of 410,387 shares issued, of which 30,200 shares were held by the company's treasury. As of Oct. 31 there were 22,001 additional shares outstanding.

Proceeds from the latest sale will be used by the company to provide funds for standardization of equipment, procurement of instrument flight facilities, enlargement of general operations, and retirement of a bank loan.

Alaska Airlines, Inc., was incorporated under the laws of the Territory of Alaska on Nov. 27, 1937, as successor to Star Air Service which originally was formed in 1933. Carrying passengers, property and mail on regular and irregular schedules, the air line operates over more than 6,000 miles of route mileage.

Other members of the offering group are A. M. Kidder & Co.; Bond & Goodwin, Inc.; Coburn & Middlebrook; Foster & Marshall; Van Alstyne, Noel & Co.; Courts & Company; J. C. Bradford & Co., and Reinholdt & Gardner.

Red Cross Names Stephens and O'Connor

Appointment of William A. Stephens as American Red Cross Commissioner for Great Britain and Western Europe was announced on Dec. 4 by Basil O'Connor, National Chairman. Mr. O'Connor was reappointed chairman by President Truman on Dec. 11.

Mr. Stephens, a deputy commissioner in the theater indicated since Oct. 1, succeeds the late Frederick A. Carroll of Boston who was killed in an automobile accident in France Oct. 16. Overseas with the Red Cross for three years, Mr. Stephens was regional director for Northern Italy previous to his transfer to the Western European theater. His work with the 5th Army was recognized by the award of the Bronze Star Medal "for meritorious services in support of combat operations from January, 1943, to October, 1944, in North Africa and Italy." Mr. Stephens went to England as office manager for the American Red Cross London office and was later assigned to the Mediterranean theater where he helped plan Red Cross service to evacuation hospitals, was regional supervisor at Oran, and then coordinated Red Cross services with the 5th Army.

Before joining the Red Cross, Mr. Stephens was in the brokerage business, associated with the firm of Gude Winmill & Company on the New York Curb Exchange.

In reappointing Chairman O'Connor, President Truman named five members for the Red Cross Central Committee; these, said the New York "Times" in advices from Washington Dec. 11, were the Secretary of the Treasury, Fred M. Vinson, succeeding Danel W. Bell, Under-Secretary; William A. Clayton, Assistant Secretary of State; Tom Clark, Attorney General; Vice Admiral Ross T. MacIntire, Surgeon General of the Navy, and Maj. Gen. Norman T. Kirk, Surgeon General of the Army.

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B, DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Interest due January 1, 1946, on fully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,
Secretary

New York, N. Y., September 26, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent coupons attached.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

As we draw to the close of 1945 it is of interest to review the trend of significant banking figures since the first of the year, and to compare them with figures for the comparable periof of last year. The following tabulation shows aggregates for a group of 15 leading Wall Street banks*:—

TABLE 1

(000,000 omitted)

Date—	Deposits	Governments	Loans & Discounts	Total Earning Assets	Cash
12-31-43	$21,819	$13,382	$4,075	$18,671	$4,959
3-31-44	22,472	13,886	4,419	19,578	4,674
6-30-44	24,131	14,809	5,128	21,228	4,816
9-30-44	22,542	14,273	4,468	20,095	4,326
Quarterly average (1944)	$22,741	$14,088	$4,523	$19,893	$4,694
12-30-44	$25,155	$15,780	$5,416	$22,451	$4,678
3-31-45	23,717	15,195	4,608	21,120	4,587
6-30-45	26,514	15,967	6,629	23,990	4,541
9-30-45	24,599	14,947	5,534	22,034	4,664
Quarterly average (1945)	$24,996	$15,472	$5,547	$22,399	$4,618
% change	+9.9%	+9.8%	+22.6%	+12.6%	—1.6%

It is very evident that earning assets of the banks have been substantially higher throughout 1945 than during 1944. Based on quarterly figures, deposits and holdings of Government securities have averaged nearly 10% above last year, while loans and discounts have averaged 22.6% higher and total earning assets, 12.6%. Cash, on the other hand, has averaged 1.6% lower.

The influence of the Government's war loan drives on deposits and Government holdings is very apparent. For example, as a result of the Sixth War Loan between Nov. 20 and Dec. 16, 1944, deposits increased from $22,542,000,000 as of Sept. 30 to $25,155,000,000 on Dec. 30, and Government holdings expanded from $14,273,000,000 to $15,780,000,000. Similarly, during the Seventh War Loan (May 14 to June 30, 1945), deposits rose from $23,717,000,000 on March 31 to $26,514,000,000 on June 30, while Governments rose from $15,195,000,000 to $15,967,000,000. The effects of the Victory Loan obviously will not appear until the 1945 year-end statements-of-condition are published by the banks. Between Loan Drives there occurs a shrinkage in deposits as the Government's deposit accounts are drawn down.

TABLE II

(000,000 omitted)

Dates—	U. S. Governments	Commercial Loans	All Loans	Total Loans & Investments
12-29-43	$12,234	$2,418	$4,184	$18,214
3-29-44	13,366	2,465	4,446	19,007
6-28-44	13,957	2,337	4,971	20,061
9-27-44	14,083	2,290	4,300	19,577
Quarterly average (1944)	$13,410	$2,378	$4,475	$19,215
12-27-44	$15,060	$2,464	$5,521	$21,724
3-28-45	14,948	2,346	4,463	20,524
6-27-45	15,481	2,241	6,247	22,824
9-26-45	14,824	2,301	5,361	21,434
Quarterly average (1945)	$15,078	$2,338	$5,398	$21,626
% change	+12.4%	—1.7%	+20.6%	+12.5%

It is an interesting coincidence that average aggregate earning assets of the 15 banks thus far in 1945 should be 12.6% greater than in 1944, for, as was pointed out in this column two weeks ago, indications are that total net operating profits, based on Bank of Manhattan's report, should approximate 12.5% better this year than last.

It is now of interest to examine the weekly figures of New York "member banks," as reported by the Federal Reserve Board, for approximately similar dates.

Total loans and investments have thus far averaged 12.5% higher than in 1944, which is in close agreement with the 12.6% for total earning assets of the 15 leading banks represented in Table 1. There is some difference, however, between member banks and the 15 banks in their respective percentage increases of Governments and Loans.

The Victory Loan Drive opened on Oct. 29, 1945, a full month after the last date on the above tabulation. The effect of this is already being registered in the banking figures, as can be seen by comparing the latest amounts reported for the New York City Member Banks, with those reported for Sept. 26, as follows: Governments, $15,971,000,000; Commercial Loans, $2,641,000,000; All Loans, $6,902,000,000; Total Loans and Investments, $23,952,000,000.

In the face of this record it is hard to escape the conclusion that banks will report the best earnings in 1945 that they have enjoyed in many years. Furthermore, with earning assets at an all-time high and apparently destined to rise still higher, coupled with the fact that the excess profits tax terminates at the close of this year, it is logical to believe that bank earnings may continue to improve during the next few years.

Despite these exceptionally favorable factors in the banking situation and outlook, the market is not responding. Consider this comparison:

Dow Jones Industrials: Dec. 31, 1944, 152.32; Dec. 21, 1945, 189.07; gain 24.1%.

American Banker Index: Dec. 31, 1944, 45.8; Dec. 21, 1945, 49.8; gain 8.7%.

There is an amazing lag in bank stock prices which sometime the market will undoubtedly rectify.

*Bank of Manhattan, Bank of New York, Bankers Trust, Central Hanover, Chase National, Chemical, Corn Exchange, First National, Guaranty Trust, Irving Trust, Manufacturers Trust, National City, New York Trust, Public National and United States Trust.

Legion Plan for Military Training

A plan for universal military training was submitted to the House Military Affairs Committee on Dec. 18 by the American Legion, through its National Commander, John Stelle. The Legion plan, according to the Associated Press from Washington, calls for up to four months of intensive, basic training for all youths between 18 and 20, and those of 17 who have parental consent. Trainees would then be given several optional ways of completing the remainder of their year of training — either in the armed forces, National Guard, R. O. T. C., college or industry.

Value of Franc Cut; Action Essential: Vinson

It was announced by the French Government on Dec. 25 that it had cut the value of the franc by more than half, setting it at 119.10669 to the dollar, and 480 to the pound sterling. The Associated Press advices from Paris, reporting this, said the "devaluation of the franc, which since the liberation, has been pegged at 50 to the dollar and 200 to the pound, will take effect tomorrow [Dec. 26] with publication of the decree in the official Government Journal."

The press advices from Paris as given in the N. Y. "Journal of Commerce" went on to say:

Members of the constituent assembly forecast last week the franc would be reduced in value as a step toward full scale resumption of international trade.

The decision to cut was taken at a four-hour Cabinet session Sunday.

It was known that the Government wanted to stabilize its money before ratification of the Bretton Woods monetary agreement, scheduled for debate in the constituent assembly tomorrow.

French financial experts said the two-cent valuation of the franc was artificial and prevented the French from "selling anything in the United States or in England." They were divided as to how devaluation might affect the French domestic economy. Some held that it would increase inflation; others maintained it would so stimulate production of goods that living costs would fall. Because of the devaluation, the Government ordered that French Stock Exchanges remain closed tomorrow.

The assembly now is considering the 1946 budget, which contemplates a 120,000,000,000 franc deficit, estimated on the old evaluation.

The nation's international trade since liberation has been confined largely to token shipments of luxury goods—perfume, cognac and champagne. Unable to fulfill her part of a trade agreement with Sweden, France recently transferred 400,000,000 francs worth of gold to Sweden, partially covering deliveries France had been unable to make.

The present devaluation is the fifth in nine years. During that time the value of the paper franc has declined steadily from approximately five gold centimes (0.049 gold francs) to the present rate of slightly more than half a gold centime (0.0064 gold francs).

The move was taken to align France's currency more closely to its actual value in comparison to world money on the eve of the assembly's meeting tomorrow to consider ratification of the Bretton Woods Agreement.

The Government announced also that currencies in the French colonies would be changed. Those overseas territories whose local currency will have the same dollar and pound value as the metropolitan franc are Algiers, Tunisia, French Morocco, the French West Indies and French Guiana.

Those colonies where 100 francs of local currency will be made equal to 170 metropolitan francs are French West Africa, French Equatorial Africa, French Congo and Cameroons, French Somaliland, Madagascar, Reunion and St. Pierre and Miquelon Islands.

New Caledonia, New Hebrides and the rest of French Oceania will have a rate of 100 local francs, equal to 240 metropolitan francs.

According to Associated Press accounts from Washington, Dec. 25, Secretary of the Treasury Vinson said that "a change in the franc rate was an essential step in the French program of economic reconstruction."

In a letter to Rene Pleven, French finance minister, Secretary Vinson added that "it has been generally recognized that the foreign exchange value of the franc was out of line." Expressing appreciation for keeping this and other interested governments informed, Secretary Vinson, the Associated Press added, told Mr. Pleven he had followed "with sympathetic interest the efforts of France to cope with her difficult economic problems."

John Perkins to Be R. L. Day Partner

BOSTON, MASS. — John H. Perkins will become a partner in R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges, on Jan. 3rd. Mr. Perkins has been with the firm for some time in the Trading Department.

Old U. S. Warships For China Urged

On Dec. 17 it was announced that Secretary of the Navy Forrestal had written Congress, through Speaker Sam Rayburn, urging that surplus American warships or other vessels be turned over to China under an authorization to the President to make the transfer on any terms that he might deem proper, according to Associated Press Washington advices. Mr. Forrestal stated that the legislation proposed "is in conformity with recent recommendations of the Joint Chiefs of Staff and the State, War and Navy coordinating committee, and the Navy Department has received advice from the White House. It appears that the national interest, as well as considerations of good conscience, require that the United States give aid to the Republic of China by assisting that nation in maintaining a navy at a strength which will make possible a substantial contribution toward the maintenance of peace in the Pacific."

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Expert Discusses International Use Of Atomic Power

(Continued from page 3133)

in common: they do not develop energy at a high temperature.

"The technological problem of operating such units to produce energy at a temperature high enough to make it profitable to generate electrical power, or to provide steam for heat or for industrial uses, appears to be capable of solution in many ways in the very near future. We see no real limitation on the availability of nuclear fuel. Therefore we may look confidently to the widespread application of such sources of power to the future economy and technology of the world.

"One word of warning may be appropriate: a unit of this kind, operating, let us say, at a thousand kilowatts, produces radiations roughly equivalent to those from ten tons of radium. If men are to be anywhere around such units, this radiation must be absorbed by shields of very appreciable bulk. For this reason alone, we do not think automobiles and airplanes will be run by nuclear power units—not, at least, until a new idea supplements our present knowledge.

"But the fact that nuclear-energy units require an insignificant amount of fuel makes us think that they will be applied to extend the present uses of power in our economy. We do not expect petroleum or coal to become outmoded as fuels. It is clear that although useful power plants may be only a few years away, the full adaptation of the new possibilities to a living economy will be a matter of many more years than that.

"Most scientists see one of the greatest benefits of the atomic age in just those radiations and radioactivities which made the power plants so intractable. These agencies hold particular promise in the fields of biological, biochemical, and medical studies, where they should provide tools of immense power, both for the treatment of disease and for the attack on fundamental problems.

"Only time and work can show if these hopes are justified. Even for the field of physics there will be new possibilities. I may give one example: the neutron is a constituent of atomic nuclei, but it does not occur free in nature. where its properties can be studied. Neutrons do occur in great numbers among the fragments of the chain reacting systems, and it is there that their somewhat unfamiliar behavior will best be explored. Of this whole field of research we see very much less than the mariner sees of the iceberg. That is what is meant by research.

"The explosion in New Mexico was neither a controlled source of power nor a research tool—it was a weapon. Within a few weeks it was to be a weapon used against human targets in the strikes against Japan of August 6th and 9th. Today this is the aspect of the atomic age which is most prominent—and most rightly prominent—in all our thoughts. There does not seem to be any valid doubt that atomic weapons can be made, made plentifully, made cheaply, and indeed be made very much more destructively than the one we tested in New Mexico. There does not seem to be any valid hope that defenses against such weapons can be made effective against attack based on surprise, or that specific defenses against such weapons, other than the destruction of enemy bases and enemy carriers, will be developed in the future. There is, to my mind, little valid foundation for the belief that in a world torn by major wars these weapons, for tactical or humane reasons, will be left unexploited.

"Often before men have claimed that a weapon had been found so terrible that wars would cease; often before men have pointed to the increasing technical and social interdependence of the peoples of the world and argued that wars should cease. The fact that these arguments have not prevailed does not mean that they will not prevail today. The fact that increasingly terrible wars have been waged does not mean that we should prepare to wage still more terrible ones in the future. It is not in this sense that history is to be read. For this is what is now the atomic age: a world to be united, in law, in common understanding, in common humanity, before a common peril."

Gimbel & Co. to Admit Two

Gimbel & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Percy Friedlander and William S. Greene to partnership on January 1.

Orvis Brothers to Admit

Henry H. Balfour, who has been with Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, in the investment department, will become a partner in the firm on January 1.

Cowen Co. to Admit Langsan

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock Exchange, will admit Ira N. Langsan to partnership in the firm on January 2.

Knowlton Rejoins Kuhn, Loeb & Co.

Hugh Knowlton

Hugh Knowlton will resume partnership in the investment banking firm of Kuhn, Loeb & Co., 52 William Street, New York City, members of the New York Stock Exchange, on Jan. 1, 1946, after an absence of three and a half years, part of which was spent in Government service, it has been announced.

Mr. Knowlton left the firm on June 30, 1942, to become Vice-President in charge of the communications division of the United States Commercial Company, a subsidiary of the Reconstruction Finance Corporation. He later became director of research and planning of Eastern Air Lines, Inc., from which position he is now resigning. He remains a member of the board of directors of Eastern Air Lines, Inc., and is also a director of International Telegraph and Telephone Corporation.

Gavan & Co. to Open

Bernard J. Gavan will acquire the New York Stock Exchange membership of Herbert Salomon and will form Gavan & Co. with offices at 39 Broadway, New York City, effective January 2. Mr. Gavan will be general partner in the firm and Isabelle P. McDermott will be a limited partner.

Appoints Two Assistant Directors of Trading and Exchange Division

SEC Names Raymond Vernon and Irwin Friend Both N. Y. City College Graudates. Vernon to Head Work of Securities Exchange Regulation and Friend to Direct Research in Fields of Individual Savings. Sources and Uses of Capital Funds and Capital Markets.

The Securities and Exchange Commission announced on Dec. 13 that it had appointed Irwin Friend and Raymond Vernon as Assistant Directors of the Trading and Exchange Division. Mr. Friend will direct the Division's research activities in the fields of individuals' saving, the sources and uses of corporate funds, and the capital markets. Mr. Vernon will head the Division's work in the regulation of securities exchanges and the analysis of over-the-counter and exchange markets, as well as the "Survey of American Listed Corporations."

Mr. Vernon was graduated from the College of the City of New York and from Columbia University, and holds the degree of Doctor of Philosophy in finance from the latter institution. Before his appointment as Assistant Director, he was the Assistant to the Director of the Trading and Exchange Division. In that capacity, he was responsible for the coordination of the Division's activities in the field of securities market regulation and for the statistical and analytical work relating to these programs. He is the author of "The Regulation of Stock Exchange Members" and of numerous other treatises. Before joining the staff of the Commission in 1935 he was associated with the National Bureau of Economic Research.

Mr. Friend is a graduate of the College of the City of New York. He has been on the staff of the Commission since 1937 and has represented it on various interagency committees of the Federal Government. He is also a member of the Conference on Research in Income and Wealth. Prior to his appointment as Assistant Director, Mr. Friend was Supervisor of the Financial Analysis Section of the Trading and Exchange Division. Since 1941 he has been in immediate charge of the Commission's studies of the volume and composition of saving and the sources and uses of corporate funds. He is the author of a number of articles in these and related fields.

To Form Anderson Bros.

Anderson Brothers will be formed on Jan. 2nd with offices at 71 Broadway, New York City. Partners will be Elliott M. Anderson and W. Colford Anderson, both members of the New York Stock Exchange, who have recently been doing business as individual floor brokers.

De Coppet & Doremus to Admit

Floyd C. Noble, member of the New York Stock Exchange, will be admitted to limited partnership in De Coppet & Doremus, 63 Wall Street, New York City, members of the Exchange. Mr. Noble was previously a limited partner in Struthers & Dean.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

New Issues

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December 21, 1945

Mutual Funds

A Momentous Year

The year 1945 will be remembered in history—it marked the end of the second World War and the unleashing of atomic power. 1945 was a momentous year, too, in the investment company field. The aggregate net assets of mutual funds passed the billion dollar mark early in the year; and growth of the industry continued at a rapid pace throughout the period.

We are still more than ever of the opinion that the first billion of net assets will prove to be one of the early milestones in the ultimate growth and development of mutual funds. This is not to say that the industry will escape its share of growing pains in the process. Indeed, growing pains were clearly in evidence during the achievement of its outstanding 1945 record.

The National Association of Investment Companies, created to foster the legitimate interests not only of the mutual funds (open-end companies), but also of the closed-end companies, found attitudes on some current questions within the industry apparently irreconcilable and was forced to restrict its activities, mainly to fact-gathering and statistical operations.

Curtailment of the Association's functions did not settle the differences which it was unable to solve. Investment company sponsors, by and large, are markedly individualistic and operations in the field are sufficiently flexible to permit considerable variance of opinion on technical procedures. Some questions, particularly those involving the handling of capital gains dividends, must seek final satisfactory solution in a revision of federal tax laws. Others will probably be settled on precedent and majority practice.

The important thing, as we see it, is the constant pressure for refinement and improvement within the industry itself. Now solidly established, defined and regulated by Act of Congress, mutual investment companies as a group have achieved excellent growth and performance records during their relatively short history. During the last 10 turbulent years their combined performance record has been so outstanding as to silence erstwhile critics.

Once considered as suitable only for the small investor, mutual funds are finding increasing acceptance among alert trustees, corporate fund managers, educational, philanthropic and religious institutions, executors, guardians and other institutional investors.

The advantages of mutual funds are also gaining wider recognition among wealthy individuals who traditionally follow institutional practice in the management of their capital. Only last week **National Securities & Research Corp.** reported a half million dollar purchase of **National Securities Series** by one individual. This transaction is not an isolated case—it is a good example of the trend toward greater use of mutual funds by large investors.

Outlook for 1946

The usual holiday lull in the release of investment company literature by the leading sponsors was punctuated this year by a number of excellent surveys of the 1946 outlook for buiness and securities. Notable among these is **National Securities & Research Corp.'s** current issue of Investment Timing. After analyzing the results of last year's forecasts—which have proven to be remarkably accurate—this sponsor surveys the current situation under a number of important headings including: Capital vs. Labor, National Income, Taxes, Money Rates, Foreign Trade, Cost of Living, Inflation, and Security Prices.

Here, in part, are the conclusions reached:

"The year 1946 should mark the beginning of several years of unprecedented prosperity for the business and industry of this country. . . .

"In our opinion the major trend of the stock market continues upward. Some time during the new year we expect substantially higher prices than those ruling at present, although we also look for an intermediate setback of 10% or more, larger than any we have seen this year. We do not expect to see the top of the current bull market reached in 1946."

* * *

Broad Street Sales Corp. analyzes "The Outlook for Stock Prices" in its current Letter and makes a comparison between present conditions and those which existed in March, 1937 and November, 1927, the two previous periods when the Dow-Jones Industrial Average reached its present level. The discussion recalls that in 1927 the market at this level was still a Buy and that the next 12 months "saw a further advance of 51% in industrial stock prices." In 1937, by contrast, the market at this level had reached its top and was entering into a sharply declining phase.

Broad Street concludes that: "The present situation is more comparable to that of 1927 than that of 1937, and that a stock market decline of the character of 1937-38 is not a present probability."

Forecast for the Railroad Equipment Industry

In a current memorandum on the outlook for the railroad equipment industry **Distributors Group** forecasts:

1. A record volume of peacetime business.

2. Highest earnings in the industry's history.

3. Substantially higher prices for railroad equipment stocks.

This sponsor estimates that domestic and export sales volume of the companies currently represented in **Group Securities' Railroad Equipment Shares** should average about $900 million a year during the early postwar years. This compares with a sales volume of $325 million for these same companies in 1937—an indicated sales increase of 177%.

Last year the companies represented in Railroad Equipment Shares earned $2.92 per share on average. This compares with $1.16 in 1936 and $2.75 in 1937. This year they will earn on average about $2.60 per share. With elimination of the excess profits tax, Distributors Group estimates that 1946 earnings of these same companies will average around $3.50 per share, and in 1947 will rise to between $5.50 and $6.00 per share —"an all-time high level which should be maintained for several years thereafter."

To support the third part of its forecast, this sponsor points out that with the Dow-Jones Industrial Average now at approximately its 1937 high point, the stocks in Railroad Equipment Shares are still selling on average at only $35.57 per share as compared with a high of $55.16 at their 1936-37 peak.

Mutual Fund Literature

Keystone Co.—Current issue of Keynotes stressing "An Extra Payday Every Month in 1946."—**Selected Investments Co.**—Current issue of "These Things Seemed Important."

Dividends

Affiliated Fund, Inc.—A regular quarterly dividend of 4¢ per share payable Jan. 21, 1946 to stock of record Jan. 10.

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The Cost of "Extra-Ordinary Government"

(Continued from page 3132)

is being curtailed. Nevertheless, the Congress had before it the Budget Bureau's forecast of a $66 billion budget for this fiscal year ending next June 30. Of this $66 billion, about $30 billion will be a deficit.

In short, the 1945 tax amendment was the most tax relief we could offer on a strictly short range basis.

Real tax relief will not come until the Federal Government curbs its spending. Lowering operation costs is the only way to lower taxes. Otherwise, endless deficits pile up and we are chained to interest charges from which we cannot escape.

And when I say tax relief, I mean all those elements that will free our enterprise and preserve our inventive and productive strength.

I mean the preservation of small business—and that of the whole nation for that matter—from the dangers of Big Government. I mean the riddance of excess profits taxes and the double take on corporate income and dividends.

But we can't cut taxes and escape deficits until appropriations —Government expenditures—are brought into line.

You may ask: Since Congress controls the spending and must authorize all apprporiations, why doesn't Congress itself just balance the budget?

Well, I'm glad you asked. It is a good question.

It is true that Gongress DOES have the power of approving the expenses for ORDINARY Government in its three historic branches —the legislative, judicial and executive. But in the past 16 years, out of emergency, depression and war, we have erected a FOURTH branch — an EXTRA-ORDINARY Government, if you please, which answers to no audit nor to any conscience save its own.

It is said that the magnitude of this extra-ordinary Government is now so great as to rival Government proper.

There are 101 of these Government corporations, all financed by taxpayers. Our first step toward sound Government was to drive as many of them as we could into a corral, where Congress and the people could keep an eye on them.

Let me tell you about this, briefly.

The Byrd-Butler Bill

In 1943, some of us got interested in the "good neighbor" policy and journeyed down to South America to examine the fruits of this activity.

Possibly some of you may remember the startling disclosures that resulted from this trip. The whole nation gasped at the size of our spending program in Latin America.

What I want to add to the record now is that in spite of those collossal revelations, the thing that impressed me most was a telephone call to my office from one of the "discovered" corporations. The party on the telephone wanted to know: "Where in the world did you get the information about us; we're supposed to be secret."

It was then and there, gentlemen, that I knew Big Government was getting away from Congress. It was up to Congress to recapture those secrets. In the following months the Byrd-Butler Bill was framed. I shared with the distinguished Senator from Virginia, Harry F. Byrd, the sponsorship of that measure.

Comptroller General Warren says it is the most important piece of legislation of its kind presented in Congress in the past 25 years. I suppose the canny General dates it from women's suffrage.

At any rate, I regard it as Congress' declaration of independence from Big Government or, perhaps it is only the preamble to the new Magna Charta of free enterprise that will chart our post-war evolution. It is only EVOLUTION, thank God.

The Byrd-Butler Bill provides that the 101 Government corporations henceforth must come under the scrutiny of Congress in their financial operations. They must toe the same line of budgeting, financing and auditing that the Constitution draws for the other three branches of Government.

It will, we hope, write the end to EXTRA-ORDINARY Government with its extra curricular activities.

May no other Senator ever again be told that some billion-dollar enterprise of Government is a *secret* from him and the taxpayers!

The Road Ahead

But the costly mistakes of the past 16 years of wasteful spending, with their debts, are bygones, after all. Instead of bitter recrimination, let's just make sure they are *forever* gone, pay the cost, and learn our lesson.

So, where do we go from here?

When I sit and squirm in my Senate seat, thinking about us taxpayers, I am convinced that the Byrd-Butler Bill is only a starter.

Now that the war agencies are on their way out, it is going to be far easier to say NO to *them* and the rest of Government, than for Congress to resist the appeals of pressure groups for *new* spending.

Depression and war gave us Big Government and not a few imported ideas for making it Bigger. Emergencies, both real and fancied, opened the door for the do-gooders. There was so much reform in the air you couldn't cut it with a corn-knife.

Under sweet and noble titles, Congress is still getting these legislative lures to Paradise. But these rosy paths always lead to the payroll and paycheck. The big slice is for Big Government which is the payoff in the distant future, when only the Almighty knows what the value of the dollar will be. Let us recognize these social stunts for what they are—taxes for Big Government.

Out our way, and I believe out your way, too, the folks want Government in the open. Money on the barrelhead.

The spending spree is over, and the pendulum is swinging back. The majority party, whichever it be, must take the responsibility for discouraging pressure groups and privilege legislation.

These boys who are coming home from the wars are convinced the American way is best. If they have one hard and fixed opinion, it is that no way of life or kind of government they saw overseas even remotely interested them.

We get a great deal of mail from them in Congress, and you can take it from me most of our veterans will be happy to get away from Government controls.

They want a chance to make money. Plain old profits—enough to send a shudder down the spine of any soapbox socialist.

They saw first hand the results of the plundering of thrifty citizens by taxation in fascist countries, and they saw the fawning, faceless freaks of humanity that it spawns. They saw nations disintegrate, because men's dreams of progress were stifled by the State. They saw Big Governments that bogged down in debt and moral decadence.

These boys fought to be free.

Stream-lined Government

And so it is up to us; citizens, voters and Congress, to see that this war-swollen bureaucracy of ours is cut down to peacetime size.

It has three times too many employees, with all the attendant evils of duplication and harassment of citizens. Before the war, there were less than a mlilion civilian jobholders on the Federal payroll. Now there are more than three million. Depression and war agencies still honeycomb the regular Government structure. They must be eliminated, along with their orders, edicts, rules and surveys, deviously tied up with taxpaying and penalties which often have more weight than the laws passed by your Congress.

Much of this Big Government derives from the war powers of the President. Most of them will continue for six months after those war powers are ended either by Congressional resolution or by Presidential proclamation.

The President has not indicated when he might proclaim officially that hostilities have ceased. But I wish to point out that the war powers quite likely will run into the next fiscal year.

A $50 Billion Budget

The daily press reports a Government spokesman as saying that the forthcoming budget would total about $50 billion. This compares with estimated revenues of about $30 to $35 billion, and indicates a deficit of $15 to $20 billion to be piled upon our mountain of debt.

A $50 billion budget, plus about $10 billion that State and local governments will spend, will give us a national tax load of about $60 billion, if that spending is to be balanced by tax revenues.

Sixty billion dollars, folks, is 46% of the national income which the Treasury estimates for next year.

I submit our Government spending should be brought more in line with our ability to pay.

In Nebraska, our Constitution says the State's debt can't exceed $100,000. Our State capital, one of the wonders of the West, was paid for the day it opened. We build our roads the same way, and we have good roads. That is the way Nebraska likes to do business, and I represent Nebraska.

Let me quote to you what the Nebraska Bankers Association wants in Washington. This is from its resolutions of less than a month ago. It puts into words what I've been thinking:

"Now that the war is over . . . we feel that deficit spending should stop and that when existing commitments have been fulfilled, all Government subsidies should be discontinued.

"Consideration should be given to reduction of taxes. Government corporations . . . should be discontinued unless approved directly by Congress; our national budget should be brought in balance at the earliest possible date; and all the broad powers granted the Executive Department, and under which most of these spending agencies exist, should be returned to Congress so that we may have a Government by the will of the people through their elected representatives and not by executive order."

The Debt and the Budget

The stupendous new element of post-war budgeting will be the debt. Next June 30, the end of the current fiscal year, it will have reached $275 billion, or thereabouts.

It defies definition. It is more money than our Government spend in the 150 years prior to 1940. The biggest debt of any nation at any time.

There is currently some fashionable double talk which we Nebraskans fail to understand that this debt may be lightly regarded since we just "owe it to ourselves." On such a theory, no debt ever should trouble us so long as it is internally held.

By all that's honorable in Government, it must be a sound debt. We can't play around with bankruptcy and 85 billion bondholders.

Congress must find a way to amortize this great block of credit in a manner as painless as possible to the nation's welfare. We need the counsel and guidance of Statesmen who are financiers, and of financiers who are real Statesmen. We can't pay off with catch-words and slogans and repeated bond issues.

We are not balancing the budget until we provide for the handling of the debt, and we will never lick inflation until we balance the budget.

It may take a debt commission or a special committee of Congress, but the problem of our postwar Federal finance will be that of squeezing debt repayment into the national budget—for the next 50 to 100 years, if necessary.

Foreign Spending

At such a critical stage of our national finance it does not seem prudent that we should separate our considerations of foreign and domestic spending. They come from the same pocket. Foreign relief, too, must be carefully distinguished from foreign loans. It would be a disservice to any nation to extend loans above its ability to repay, and would win for us again the title of usurer and Shylock.

I hope some of your special study groups will write me your opinions, particularly about the debt. But there is only one direction that I am prepared to take, and it is my theme henceforth. It is: "Balance the Budget."

The Full Accounting Bill

In the beginning of my talk I told you I came here to plead a special cause, and to lobby your Congress of Industry.

Then I have tried to say that free enterprise and tax relief are the Siamese twins of the return to sound Government. Let no more fancied crises separate them—and us—from fiscal sanity. Why, a one-cent change in the corn or cotton market, under the touch of Big Government's propaganda machine, can be made to look as if disaster and chaos will result if Big Government doesn't take over! Let us dismantle this oppressive machine in a careful and businesslike manner by the simple means of testing each part for efficiency before we remove it.

I think I know how to do it.

That is why I decided to make your Congress of Industry my pulpit of what I hope will be my next legislative venture. I think it as important as the Byrd-Butler Bill. With your indulgence, I shall send up the frist trial balloon.

I am proposing a FULL ACCOUNTING BILL, which would place all Government financial operations on a businesslike basis. Every year at one time and in one specific measure Congress would consider the full operation of Government which would be out in the open for everyone to see.

As soon as I return to Washington I shall introduce a measure asking the responsible fiscal officials of Government—the Secretary of the Treasury, the Director of the Budget and the Comptroller General—to report their recommendations on this full accounting of Federal spending. I hope that Senator Byrd will join me as a sponsor.

This plan is to provide for suitable legislation to:

1. Include all appropriations in one general appropriation bill. Congress never gets the full financial picture of the Government for which it is financially responsible. It votes appropriations in dribbles; the money can be spent three years later, when another Congress is unaware of it and might possibly be appropriating other moneys for the same purpose. Bear in mind, Government finance is Congress' exclusive job.
2. Make each year's budget be a complete operation by discontinuing permanent appropriations.
3. Relate the handling of long-term projects (such as contract authorizations for building ships) to proper annual appropriation.
4. Intergrate deficiency and supplemental appropriations into the annual budget.
5. Improve the execution of each annual budget and secure a more prompt and efficient annual accounting both by the expending agency and the Comptroller General to show whether funds were expended properly.

With these improvements, gentlemen, the Congress and the public will know the true state of the nation's finances.

It will not know the state of the nation until this, or some other method, provides a way for drawing a complete total on the complicated arithmetic of Government. You do it in business—you've GOT TO.

We have got to do it in Government to save it from consuming itself.

I earnestly solicit your support. Here is a final thought.

Seventy-five minutes have elapsed since this afternoon session began. During this time the Federal Government has spent over 9 million dollars. It has added over 4 million dollars to the debt—your debt.

NASD District 12 Elects New Executives

PHILADELPHIA, PA.—Francis J. McGuiness, Chaplin & Co., Pittsburgh; R. Conver Miller, E. W. & R. C. Miller & Co., Philadelphia; Harold F. Scattergood, Boenning & Co., Philadelphia, and Wilson A. Scott, Grubbs-Scott & Co., Pittsburgh, were elected committee members of District 12 of the National Association of Securities Dealers, Inc., to serve for three years.

S. Davidson Herron, Mellon Securities Corporation, Pittsburgh, was elected Chairman of the District, at a meeting of the committee.

Dobbs to Admit Two

Dobbs & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, will admit Albert Wolf Greiner and Geoffre C. Armbrister to partnership on January 1. Both have been associated with the firm for some time.

Wood, Struthers Admit Colgate & Langreth

As of Jan. 2nd, Wood, Struthers & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, will admit Henry A. Colgate and George L. Langreth to partnership. Mr. Colgate in the past was a partner in James B. Colgate & Co.; Mr. Langreth has been with Wood, Struthers & Co. for some time.

Dominick to Admit

Bernon S. Prentice will become a limited partner in Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges, on January 1. In the past he was a member of the firm.

Elkins, Morris to Admit

PHILADELPHIA, PA.—Elkins, Morris & Co., Land Title Building, members of the New York and Philadelphia Stock Exchanges, will admit George W. Elkins, Jr. to partnership on January 1.

To Be Foster Bros., Young

TOLEDO, OHIO—Effective Jan. 1, the firm name of Snyder, Wilson & Co., 410 Madison Avenue, members of the New York Stock Exchange, will be changed to Foster Bros., Young & Co.

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

NEW ISSUE December 21, 1945

100,000 Shares

Central Power and Light Company

(A Texas Corporation)

4% Preferred Stock

(Par Value $100 per share)

This announcement relates only to such of the above shares as are not exchanged for shares of outstanding Preferred Stock of Central Power and Light Company, a Massachusetts Corporation, under an Exchange Offer dated December 21, 1945 made by said Company to the holders thereof.

Price $102.75 per share

and accrued dividends from November 1, 1945

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

The First Boston Corporation

Blyth & Co., Inc. Goldman, Sachs & Co.

Harriman Ripley & Co. Incorporated Kidder, Peabody & Co. Mellon Securities Corporation

Central Republic Company (Incorporated) Coffin & Burr Incorporated Merrill Lynch, Pierce, Fenner & Beane

F. S. Moseley & Co. E. H. Rollins & Sons Incorporated Shields & Company

Tucker, Anthony & Co. White, Weld & Co. Hallgarten & Co.

R. W. Pressprich & Co. Putnam & Co. Whiting, Weeks & Stubbs

The Wisconsin Company Dean Witter & Co. Merrill, Turben & Co.

E. M. Newton & Company J. J. B. Hilliard & Son Kirkpatrick-Pettis Company

The Post-War Price Structure

(Continued from page 3132)

far as it was motivated by patriotism rather than personal gain.

Price increases were nonetheless relied on to a considerable degree to expand production. Where a choice had to be made between higher prices and less required production, the decision was in favor of permitting higher prices.

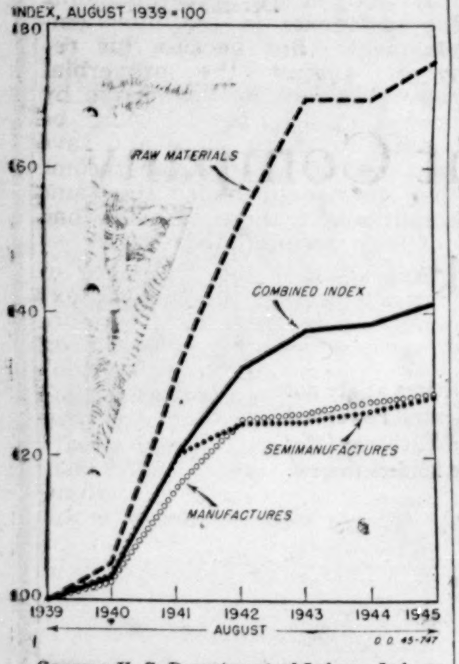
In general, the prices paid for finished munitions actually declined during the war, reflecting the reduction in unit costs as large-scale production was reached. It is true that manpower was attracted to these fields by the economic incentives of higher wage rates, upgrading, over-time and other pay premiums, as well as by patriotic motives. Because of the economies of mass output, however, the costs of production of munitions items, and therefore the prices paid, typically were stable or falling.

Almost All Prices Have Risen

Contrary to the tendency of munitions prices, the prices of practically all civilian type goods and of most curently produced services have increased. The index of wholesale prices pictured in chart 1, which excludes most of the strictly munitions items, rose over 40% from August 1939 to August 1945.

There were the usual variations in individual commodities which are characteristic of even a more normal peace-time period. Raw materials tended to go up more than manufactured goods. Gas and electricity actually declined in line with the long-term trends. Farm products more than doubled.

Chart 1.—Wholesale Prices, by Economic Classes



Source: U. S. Department of Labor. Indexes recomputed to August 1939 as base by the U. S. Department of Commerce.

The general picture, however, is one of widespread and substantial price increases with comparatively few exceptions.

Granting that price increases have been widespread, are there not serious discrepancies between the prices of various products or groups of products which must now be corrected? Are some prices more than ample while others would call for upward adjustment in a free market? Will such adjustments result in higher or lower average prices?

Undoubtedly price controls were more effective at some points than at others. An outstanding example of effective control is rental rates. In general, however, the record does not indicate much more than the usual dispersion of price changes.

Controls Did Not Prevent Increases

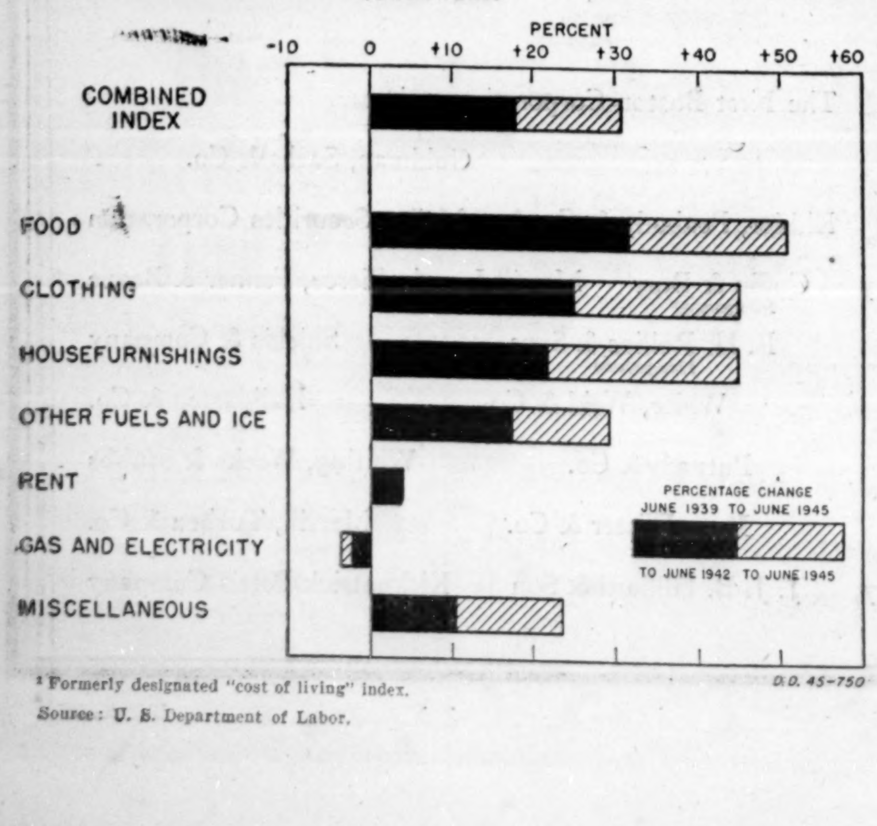
Chart 2 shows the price increases of the major groups entering into the Bureau of Labor Statistics cost of living index (Consumers Price Index for Moderate Income Families in Large Cities) over two periods. The black segment of the bars shows the change in the 3 years prior to the effective date of the General Maximum Price Regulation. Up to that time there was a relatively free market. Informal agreements, as well as formal controls, affected the prices of a number of imported raw materials, metals and certain other basic industrial commodities but these controls affected the ultimate consumer only to a very limited extent. Also there was still some slack in the labor supply and other resources to meet demands for additional production. The second period covers three years of tighter supply and extensive price controls.

Prices rose in both periods, though the rate of increase was not so rapid in the past three years as in the preceding period. Nevertheless, the price changes in this second period are consistent with and an extension of those which occurred in the first three years.

Rent is the only group which did not show a substantial further increase. It is a special case, however, in appraising current prices in relation to costs, in that it is a payment for use of an existing asset rather than for current production. Rent controls were not only relatively easy to enforce; they could be applied strictly without fear that current production would thereby be limited.

Chart 3 examines the degree of price dispersion. It groups 175 of the individual items included in the cost of living index by deciles (10 groups of equal weight in the index) according to the extent of their price rise from June 1939 to June 1942. The major item excluded is rent. With the total index increasing 18% over the three years, items accounting for one-tenth of the total weight of the 175 items actually declined slightly. In contrast, the top tenth increased over 50% in this first period.

Chart 2.—Percentage Change in Consumers' Price Index, June 1939 to June 1945[1]



[1] Formerly designated "cost of living" index.

Source: U. S. Department of Labor.

In general, those items which increased most in price during the first three years made an equal gain in the three years following the General Maximum Price Regulation. The lower tenth which actually declined in the first period increased only moderately in the second. The upper tenth had risen by almost 90% at the end of the six years. In only two of the 10 deciles were the price rises in the second period sufficiently different from the first so that the trend lines actually crossed.

More detailed study of the individual items discloses about the same dispersion of price changes in the second period as in the first three years of relatively free markets. It is true that prices of some items, notably meats, were actually rolled back. Subsidies were used in some instances to provide ample incentive to producers while holding down prices to the consumer. Other items such as fresh vegetables, where controls were more difficult, increased more in the second three years than in the first.

This dispersion will continue. There are a variety of reasons why some prices will go up while others go down. The evidence does not suggest, however, that they are wartime distortions which will require more than the usual amount of such adjustments. On the contrary, it indicates the general nature of wartime price increases. Those items which increased little if any are typically those which are very stable or, like electric power, subject to a downward secular trend. Even where prices were actually rolled back in the second period they remained high.

Prices Covered Wartime Costs

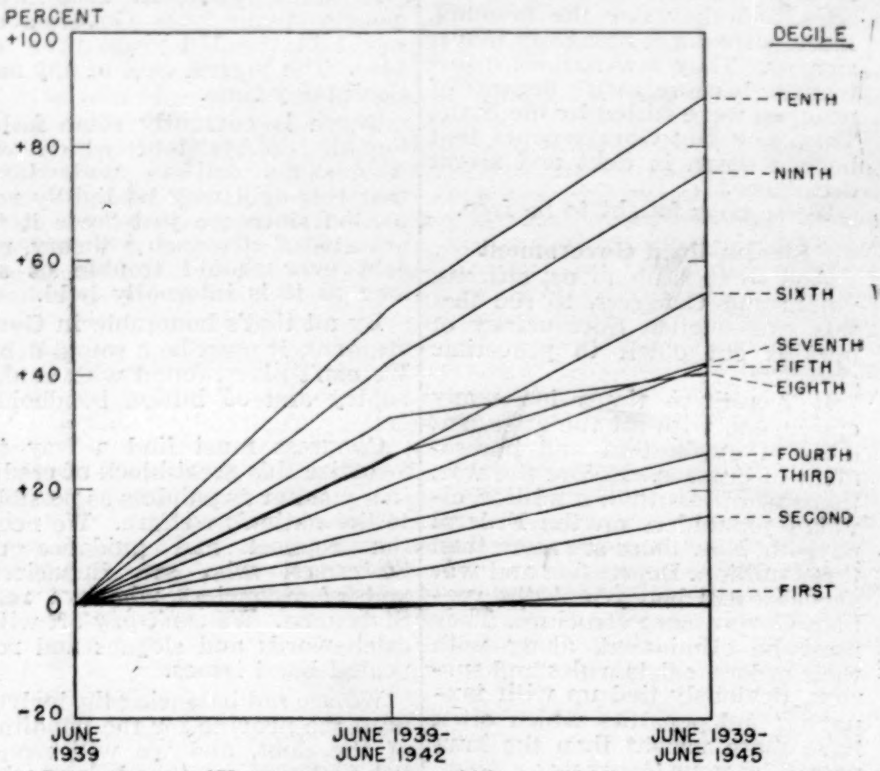
It is true that there has not been a free play of supply, demand and price in the civilian sector of the economy and that the price level for civilian goods at the end of the war is undoubtedly much less than it would have been if controls had not been exercised. It is clear from the record that price controls were effective in limiting price advances. They did not—nor were they intended to—prevent advances where necessary to secure required production.

Neither did these controls prevent an increase in prices sufficient to cover wartime costs and leave high profits before taxes. Aggregate corporate profits before income and excess profits taxes in 1944 were about $25 billion, or roughly one-fifth of the net value of production by corporations. There is no major segment of the economy in which prices were insufficient to cover costs.

Profits before taxes are used here as the best measure of cost-price relationships during the war. Even after the high wartime income and excess profits taxes, profits were at peak levels. Relief under the carry-back provisions of the tax laws will require upward adjustment of these reported earnings for the war years.

The earnings of unincorporated businesses also suggest that wartime controls have not prevented price rises which were ample to cover wartime costs. The net income of nonagricultural proprietors increased more than 25% from 1941 to 1944 without a corresponding increase in the physical volume of goods and services produced or distributed. The net income of agricultural proprietors almost doubled over the same period.

Chart 3.—Percentage Change in Consumers' Prices, by Deciles[1]



[1] Data represent 175 consumers' prices which are 77.8% of the total consumers' price index by weight; the major item excluded is rent. Deciles are determined by percentage change from June 1939 to June 1942 in terms of base weights in the index. Consumers' price index was formerly designated "cost of living" index.

Sources: U. S. Departments of Labor and Commerce.

Just as there was no large segment of the economy which did not experience large profits, so there was no important segment where the supply was limited by reason of prices. The existing price structure offered sufficient profits over and above costs to encourage maximum production for war, and to provide consumers with a volume of goods and services as high as or higher than in the best prewar year. Shortages were relative to the insatiable demands of war and to the demands of consumers with high wartime incomes. Whenever there was any doubt whether existing prices would encourage all-out production the price ceilings were usually liberalized.

Demand and Supply

Given this background as to what has happened to prices and production during the war, analysis of supply-demand-price relationships may well start with an appraisal of wartime restrictions on consumer expenditures and the potential effects of removing those restrictions.

Wartime Consumer Expenditures

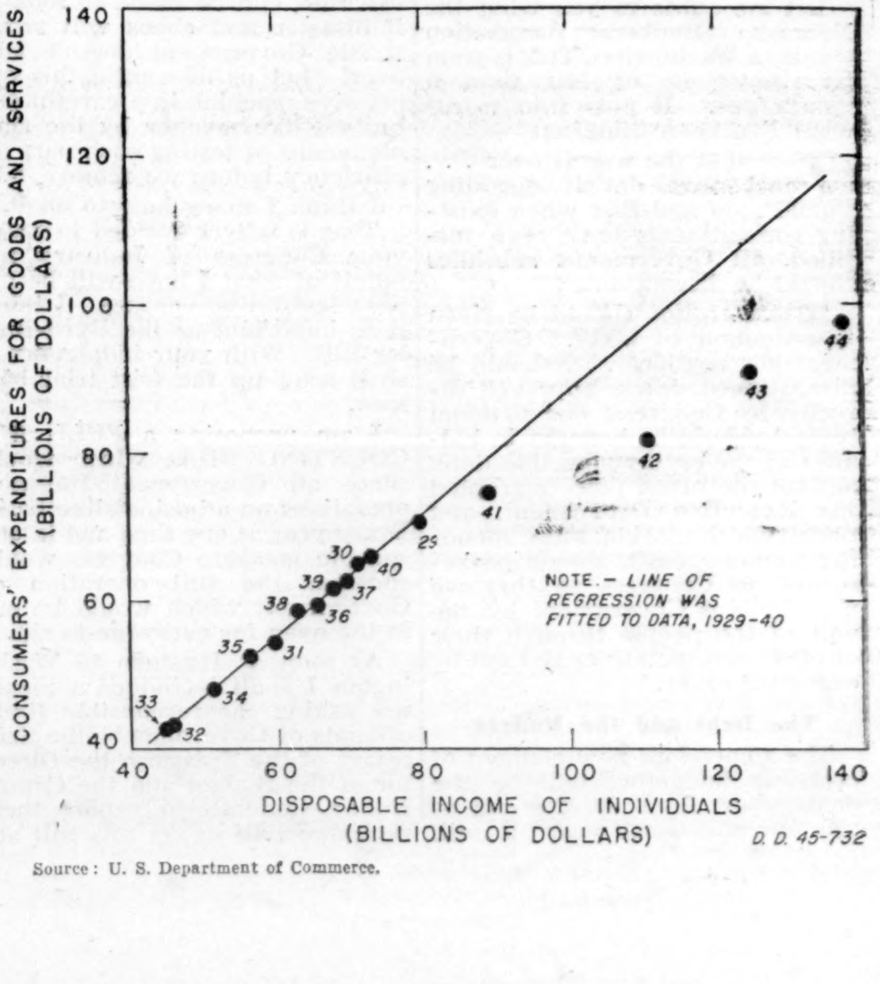
In the aggregate, wartime controls prevented a rapid spiralling of prices, costs and incomes, each influencing the others. Thus, one result was to limit the amount consumers had to spend.

Aside from this important effect, the influence of controls on prices might be measured by their restrictive influence on consumer expenditures out of wartime income, given the limited supply of goods and services. The potential effects of removing those controls may be deduced from the extent to which consumer expenditures fell below the relationship to current income which would be expected under more normal conditions in the absence of controls.

Out of a disposable income of $138 billion after taxes in 1944, consumers saved approximately $40 billion. This is considerably more than a normal rate of saving. Chart 4 shows this prewar relation between total consumer expenditures and disposable income and the extent to which expenditures fell below what would have been expected during the war, if goods and services were freely available.

The excess of savings, or the deficiency of expenditures, is in the neighborhood of $20 to $25 billion. This is not a measure of deferred demand—it is simply the difference between what was spent and what would have been

Chart 4.—Relationship Between Consumers' Expenditures and Disposable Income



Source: U. S. Department of Commerce.

spent in the absence of supply difficulties.

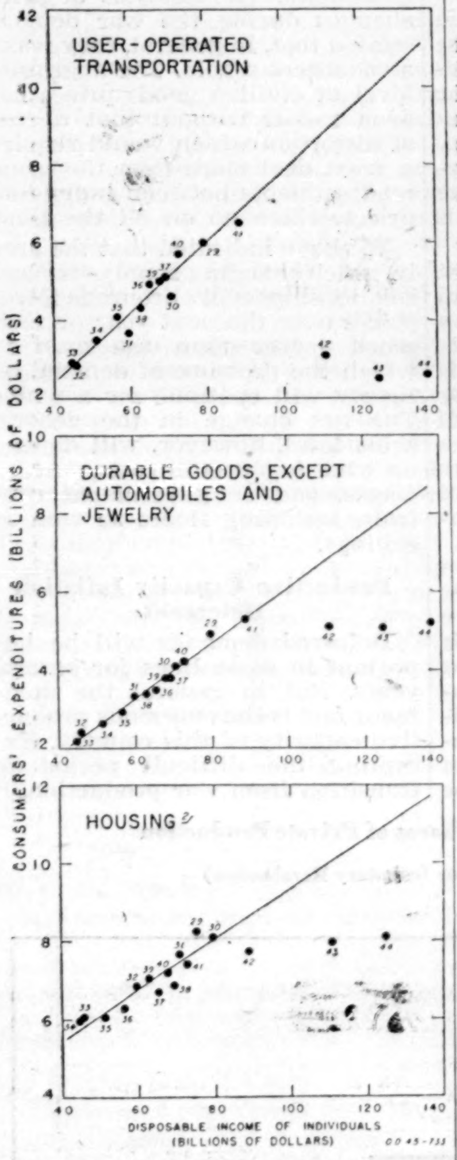
Deficiencies Concentrated

This deficiency, however, is heavily concentrated in certain segments of the consumer's budget. About two-fifths of it was due to his inability to buy new automobiles, to the rationing of gasoline and tires, to the gradual decline in the number of automobiles in use, and to the resulting curtailment of a variety of other expenditures related to user-operated transportation. The top panel of Chart 5 shows the consistent relation of this group of expenditures to disposable income from 1929 through 1940 and the apparent deficiency of expenditures relative to the high wartime income.

Almost one-fifth of the aggregate deficiency was due to severe shortages or complete absence of a wide variety of other consumers durable goods. The middle panel of chart 5 shows this relation for all consumers durables except automobiles, which are included in the top panel, and jewelry. Jewelry sales are excluded because they increased fully in line with the increase in income.

Housing is another field in which expenditures did not keep pace with the increase in income.

Chart 5.—Major Segments of Wartime Deficiency in Expenditures Relative to Income [1]



[1] Lines of regression were fitted to data for 1929–40.

[2] Housing expenditures for the current year are related to income for the previous year.

Source: U. S. Department of Commerce.

This deficiency, as shown in the bottom panel of chart 5 was due to the limited supply of housing for rental purposes, relative to the large increase in demand with the rise in consumer income, and to the limitation of expenditures related to home occupancy and home ownership by rental and other controls.

In the user-operated transportation, durable goods and housing segments, controls were effective in limiting consumer expenditures so that the full impact of demand on the limited supplies was not reflected in higher prices. It is in these areas that there is room for some increase in expenditures even in the face of a substantial decline in consumer income. This would be true even if there were no deferred demands backed by the purchasing power of wartime savings.

These three categories, covering about one-fourth of consumer expenditures in a more normal year, accounted for about three-fourths of the total deficiency of expenditures in 1944. There were other deficiencies, notably in medical care, in domestic and personal service and in such special items as foreign travel. Over most of the other categories, however, current outlays do not appear to have been seriously out of line with the large increases which have occurred in consumer income.

Half of Budget in Line With Income

For the half of consumers' budgets represented by expenditures for fod, beverages, tobacco, clothing and jewelry, outlays have been in line with increased incomes. This is clear from chart 6. It is in spite of the fact that the number of civilian consumers was reduced.

To the extent that wartime controls have limited consumer buying power they have affected demand in these categories. In large measure they have not prevented the price increases resulting from the pressure of existing buying power on the limited supplies of goods and services.

Increased Expenditures Raised Prices

Consumer expenditures for food increased about 60% from 1951 to 1944. In contrast, the Bureau of Agricultural Economics reports that approximately the same physical quantity of food was available to civilian consumers in 1944 as in 1941.

The latter estimate does not cover the processing of those foods. For example, there may have been larger consumption of flour in the form of bakery products. Neither does it allow for the large increase in sales of beverages and meals eaten away from home.

However, if allowance is made for the deterioration of conveniences and services in connection with restaurant sales and retail distribution of food, the conclusion seems warranted that the average consumer obtained very little more in 1944 than he received for a much smaller expenditure in 1941.

The Bureau of Labor Statistics shows an increase of only 29% in retail food prices from 1941 to 1944. This, however, excludes or only partially includes such intangible or unmeasurable factors as "black market" sales, forced trading up to higher-priced items or higher-priced stores, and the general curtailment of such services as retail delivery.

Consumer expenditures for clothing increased over 50% from 1941 to 1944. Again the available evidence suggests that there has been comparatively little increase in physical volume. In fact, such evidence as does exist suggests an actual decline in supplies available to civilian consumers. Special indices of the output of clothing and shoes for civilians compiled by the Federal Reserve Board record a substantial decline from 1941 to 1944. The yardage of clothing available to civilian consumers also dropped substantially.

The Bureau of Labor Statistics index of retail clothing prices increased 34% over the three-year period. Again, however, this does not include or make sufficient allowance for various intangibles, such as forced trading up because of shortages or deterioration of low-priced lines, general lowering of quality of the merchandise, and elimination of many of the conveniences and services connected with its distribution.

While the statistics available do not permit of any precise measurements, the same general conclusions can be drawn with respect to a wide variety of consumer goods and services. In spite of increases in consumer expenditures, which are roughly commensurate with the rise in consumer income, the consumer was getting very little more real value in the last few months of the war than he did for a much smaller expenditure in 1941. In the face of the limited resources available, the increase in consumer expenditure necessarily was reflected primarily in increased prices.

This is not to say that price controls have been ineffective in these fields. We do not know to what extent the absence of such things as new automobiles might have resulted in diversion of consumer demand to other categories of expenditure if the controls had not operated. Even more important, the controls have been effective in preventing a spiralling of prices, costs and incomes, thereby preventing even higher consumer buying power and even greater pressure on the limited supplies of goods and services.

Speaking very broadly, however, prices for such things as food and clothing—items that account for over half of the consumer budget—today are not far different from what might be expected, given present consumer incomes, present supplies of those items, more active competition from all the items which are not now readily available and no price controls.

This conclusion is highly significant in appraising the current price level and evaluating probable trends. It is from this benchmark that we must analyze the possible changes in supply-demand relationships during the transition from war production and thereafter.

Consumer Income in the Transition

Consumer demand during the transition and thereafter will depend primarily on what happens to consumer income. Therefore, the next step is to see how consumer income may be affected by curtailment of war production. It will also be necessary to appraise the effect of deferred demand and accumulated war savings.

In the absence of increases in basic wage and salary rates, a decline in consumer income would be inevitable, even if unemployment should be held to a practical minimum. This is because the reduction in working hours, the loss of overtime and other premiums, the shift from high-wage war industries to lower - wage civilian lines, and the withdrawal of some workers from the labor market as war production is curtailed will more than offset the return of servicemen to civilian jobs paying more than they received for their military service.

Since this article is not concerned with a prediction of general business conditions, it will suffice to point out that unemployment during the transition will inevitably be more than the practical minimum in a normal peacetime year. The decline in incomes in the next few months will be substantial.

In appraising the effect of a decline in consumer income, it is important that the high rate of saving, or deficiency of expenditure, in relation to income has been closely related to the absence of certain categories of goods from the market. These goods will not be available in quantities adequate to meet consumer demands during the early stages of transition from war production.

Expenditures for some items—those not to be had during the war—can be expected to increase as fast as additional goods of this type are available almost regardless of the shrinkage in income. The pressure of demand for goods of this type will continue to be intense.

On the other hand, if we accept the evidence of chart 6 that a large part of consumer expenditure is already in line with the present high income, then it follows that any substantial decline in this income will mean some lessening of the pressure of demand for many commodities and services. In the aggregate, consumers will spend fewer dollars for those goods and services.

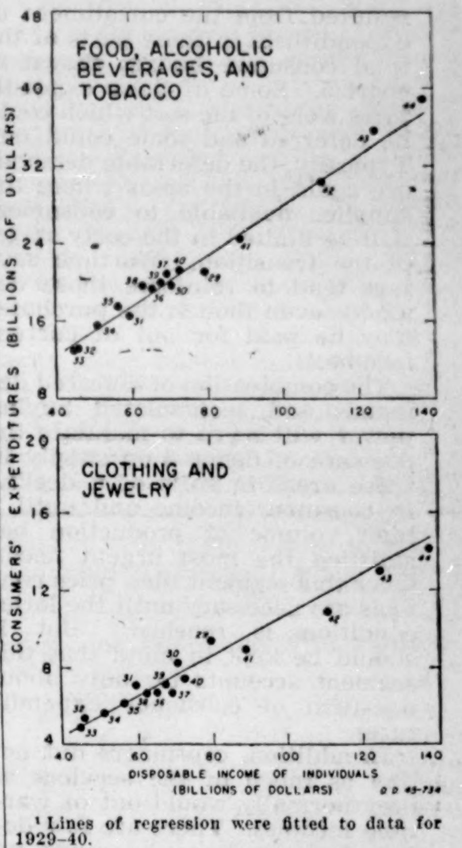
This does not necessarily mean a decline in the physical quantities purchased. If the end of the war brings sufficient easing of the supply, this physical volume—the real value to the ultimate consumer—may increase even though dollar expenditures decline. The result would, of course, be a decline in prices, particularly that portion of the price represented by the intangibles and not measured by price indices.

Accumulated Buying Power

During the last four years consumers have saved well over $100 billion. Aside from debt reduction, increased value of insurance policies and other forms of savings, they have accumulated over this period almost $100 billion in currency, bank deposits and Government bonds. That is more than their total income in the best prewar year. Consumer holdings of these liquid, spendable funds have almost trebled since the war began.

On balance, the importance of wartime savings lies in their influence on the way consumers will spend their current income. Some consumers will use these savings to meet various contingencies, such as unemployment, or to buy goods which were not available during the war. Others will continue to save out of their current income.

Chart 6.—Major Segments Where Wartime Expenditures Were in Line With Income [1]



[1] Lines of regression were fitted to data for 1929–40.

Source: U. S. Department of Commerce.

The expenditure decisions of the average consumer will depend on conditions at that time—including his confidence in continued employment. But because his reserves against the proverbial rainy day will be very large by prewar standards, he will be willing to spend more and save less out of his postwar income than he would under the same conditions if these reserves had not been accumulated.

Appraisal of this influence of wartime savings on postwar expenditure decisions, and therefore on prices, depends, however, on some understanding of the motives involved in their accumulation. Why did consumers save rather than spend so large a part of their war income? In what ways will the removal of wartime conditions alter those expenditure decisions?

The first point to be noted in this connection has already been

(Continued on page 3150)

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December 26, 1945

The Post-War Price Structure

(Continued from page 3149)

made. Most of the huge accumulation of savings during the war resulted from the curtailment of expenditures in those parts of the total consumer budget shown in chart 5. Some of these expenditures were of the sort which could be deferred and some could not. Typically, the deferrable demands are again in the areas where the supplies available to consumers will be limited in the early stages of the transition. Wartime savings tend to reinforce those demands even though the purchases may be paid for out of current income.

The combination of deferred demands and accumulated buying power will serve to maintain the pressure of demand on supply in those areas in spite of a decline in consumer income and until a high volume of production has satisfied the most urgent needs. Over this segment then price controls are necessary until the latter condition is reached. But it should be kept in mind that this segment accounts for only about one-fifth of consumer expenditures.

In addition, consumers did not buy as much of the services as they normally would out of wartime incomes. There are few deferred demands to be made up in this group. The two haircuts that had to take the place of three left the hair the same at the end of the war as it would have been had it been trimmed a third more times. But accumulated buying power will encourage increased spending for services as additional manpower becomes available to provide them.

The larger part of consumer expenditures, shown in chart 6, was approximately in line with high wartime incomes. There are deferred demands for some items, such as nylon hosiery, but on balance there is no deficiency to be made up. Neither were expenditures for such things as food and clothing appreciably in excess of the normal relation to disposable income.

This is in spite of the fact that consumers held, during the last few months of the war, most of the liquid savings which they have today. In addition, the current income which would normally have been spent on consumers durable goods and other restricted items was available for increased expenditures in other fields.

These influences encouraging a more than proportionate increase in expenditures for the available goods and services were offset by other influences discouraging spending. The patriotic pressure to save rather than spend during the war, reduced quality and excessive inconveniences involved in the purchase of many goods and services, and long working hours which meant less demand for goods and services connected with leisure-time activities all played a part.

Will those accumulated savings which did not burn holes in the pockets of consumers during the last months of the war be a more effective stimulus to spending and therefore exert a greater pressure on prices now that the war is over? In what ways will the offsetting influences affecting the amount of expenditure on nondurable goods relative to current income be modified?

Of the influences tending to increase wartime spending for nondurable goods, the savings will remain. The lack of competition from the durable goods will continue only until large scale production of those goods is resumed.

Of the influences tending to discourage spending during the war, the removal of the patriotic motive for saving and a moderate increase in leisure time could operate to increase the pressure of demand. The others will be modified as there is a lessening of the pressure of demand relative to supply. Improved quality and improved service will, however, mean more for the consumer's dollar, rather than price increases, and hence may be classed as antideflationary rather than inflationary. The use of savings to tide consumers over a period of unemployment or other loss of current income will operate in the same way.

In summary, deferred demands and accumulated buying power will serve to increase the pressure of demand for those things which were not available during the war. Accumulated buying power will cushion any decline in demand for the other goods and services resulting from a decline in consumer income. It will not, however, exert a greater upward pressure on prices than it was already exerting toward the end of the war. It will be more effective as an antideflationary influence than as a threat of inflation.

Business Expenditures

Business capital expenditures, including changes in inventories as well as privately-financed outlays for equipment and construction, were drastically curtailed during the war—from almost 20 billion dollars in 1941 to less than 2 billion dollars in 1944. Most of the large additions to plant and equipment in the war industries were financed by the Government.

Despite the high rate of capital formation in some fields, there are deferred demands for facilities to replace those which have worn out and could not be replaced under the controls in effect during the war. More important, however, are the demands for improvements to keep up with technological developments and for postponed expansion. Wartime experiences with shortages, and the anticipation of substantially more than the prewar volume have emphasized these needs. As production of consumer durable goods is resumed, it will be necessary to replace working inventories all the way from raw material to retail outlet.

Business holdings of liquid assets have increased by over 40 billion dollars to about two and one-half times the prewar level. The availability of these financial resources will influence business judgment as to what capital expenditures are feasible and desirable.

All of the influences determining the actual amount of business outlays after the war cannot be summarized here. It is clear, however, that these outlays will be large—much larger than the privately-financed amounts during the war and possibly well above the best prewar year. For confirmation the reader is referred to three articles in the June and July 1945 issues summarizing business plans as reported to the Department of Commerce.* In the early stages of the transition the demand for some machinery and equipment will be in excess of the available supply.

Inventory Boom Should Be Avoided

The inventory aspect of business demand deserves special attention. It is possible that the necessary inventory accumulation may be exceeded and that speculation will start in purchasing—a situation reminiscent of 1919. There are some of the same inflationary demands and dislocations of supply in international trade today as there were 26 years ago.

Also, businessmen see a big domestic market at hand if they can get production going in a hurry. Any apparent inadequacy or threatened interruption of their sources of supply may cause them to anticipate their requirements so that their own production and distribution will not be hampered by lack of materials.

There are, however, several reasons why the brief inventory boom and collapse after the last war are not likely to be repeated. First and foremost, are the Government controls over both prices and inventory holdings which can prevent such excesses. Secondly, businessmen remember the licking they took in 1920 when losses on inventories and forward commitments put many of them into the red ink and forced some firms into bankruptcy.

Better information now available on inventories will provide ample warning to the Government and business of developing excesses. Furthermore, the probable decline in consumer income from the wartime peak is larger now than in 1918, and there is now a much greater potential increase in output of civilian goods over either the wartime or prewar rate.

Weighing the general situation, therefore, it appears that, while the possibility of an inventory boom cannot be ruled out, it is not likely to develop. The danger of such a boom can be eliminated by action to nip any such tendency at its inception through firm use of the inventory and allocations controls of the War Production Board and its successor.

Civilian Supply

On the supply side, the manpower and other resources released from the war effort will be available for increased civilian production. Whether or not they are fully utilized, they will make for an easing of the pressure upon prices.

The increase in civilian supply will be less than the curtailment of war production. Under the pressure of wartime demands individuals were employed who would not normally be seeking jobs. Hours of work were extended, vacations were postponed. In general, the country worked during the war at a pace which most people do not wish to continue after the war.

Nevertheless, the postwar productive capacity of this country, given reasonably full utilization of available manpower, is far above the national output in the best prewar year. The magnitude of this potential supply has an important bearing on postwar prices. Our ability to produce once we are over the reconversion "hump" is so great that the problem posed will be one of finding markets for any such output and not one of consumers searching out sources of supply.

It will take time to shift to the production of civilian goods. The time required varies from only a few days in some industries to a matter of many months in others. To cite an extreme case it will take 2 to 3 years of rapid expansion for residential construction to grow from the present extremely low level to the ultimate volume indicated by the deferred demands in that field.

We are attempting here to appraise the forces at work on the price structure without becoming involved in any predictions as to the course of business activity. This task is made somewhat easier because the supply of civilian goods and the buying power of consumers are not independent of each other. The same conditions which over time make for a large demand will also create a large supply and vice versa.

It is true that disposable income is not necessarily a consistent share of production. It depends also on tax rates and on that part of the value of the product which is retained by business as reserves or undistributed profits. In general, however, any increase or decrease in consumer disposable income will be accompanied by a somewhat larger increase or decrease in national output.

In other words, high productive employment after the war means a large supply of civilian goods as well as a large demand for those goods. Similarly, the failure to shift manpower and facilities from the war effort to the production of civilian goods would leave little room for any increase in consumer expenditures but it would also provide very little in the way of additional civilian goods.

Supply and Demand in the Transition

These supply-demand relationships can be summarized in terms of, first, the variations to be expected between two broad categories of goods and, second, the difference between two periods of time—the transition and the period beyond. The transition or reconversion period might be defined as the first year after VJ-day.

Where consumer expenditures have been severely restricted, notably in user-operated transportation, consumers durables, housing and some services, prices have increased during the war, but not to the full extent which would reflect the free competition between civilians for the limited supply available to them. In these segments a large increase in expenditures is possible even in the face of a substantial decline in consumer income. This possibility is enhanced by the deferred demands, backed by purchasing power in the form of liquid funds which have accumulated.

It is in these same segments that the time necessary to shift from war production and to reach a high volume of civilian output will limit supply for a while. This will mean sellers' markets for such commodities until a period of high production has satisfied the most pressing demands. It is here that continued price controls will be necessary until full-scale production is reached.

This pressure of demand on limited supplies will be further accentuated because producers are also planning to increase their outlays on construction and for new equipment as soon as materials and manpower are available. As with the deferred consumer demands, these plans of producers are not likely to be greatly affected by any probable near-term changes in earnings.

These two segments of demand are large, but combined they are not so large as that portion of total spending which has not been curtailed during the war. Earlier it has been shown that expenditures for nondurable goods have been very nearly in line with increased consumer income. It is clear, therefore, that prices of these goods, including those intangibles which cannot be measured adequately by any index, reflect most of the impact of the present demand on the limited supply available to civilians.

Curtailment of war production will cause both a decline in consumer income and an increase in the manpower and other resources available for civilian production. Since prices of most non-durable goods have reflected wartime conditions of demand and supply, this combination of decreased demand and increased supply should make for some easing of prices.

Any spending of wartime savings will operate to cushion the decline in demand for nondurable goods resulting from the drop in income but probably will not be large enough to prevent it. The sellers' market for these goods which has featured the war will tend to disappear and competition will give the consumer better value for his expenditure than he received during the war.

However, too much should not be made of prospective divergent tendencies. The analysis of price changes during the war demonstrated that, in general, they make a consistent whole. The aggregate level of civilian goods prices has been raised without that degree of distortion which would require a great deal more than the usual readjustments between individual prices which go on all the time.

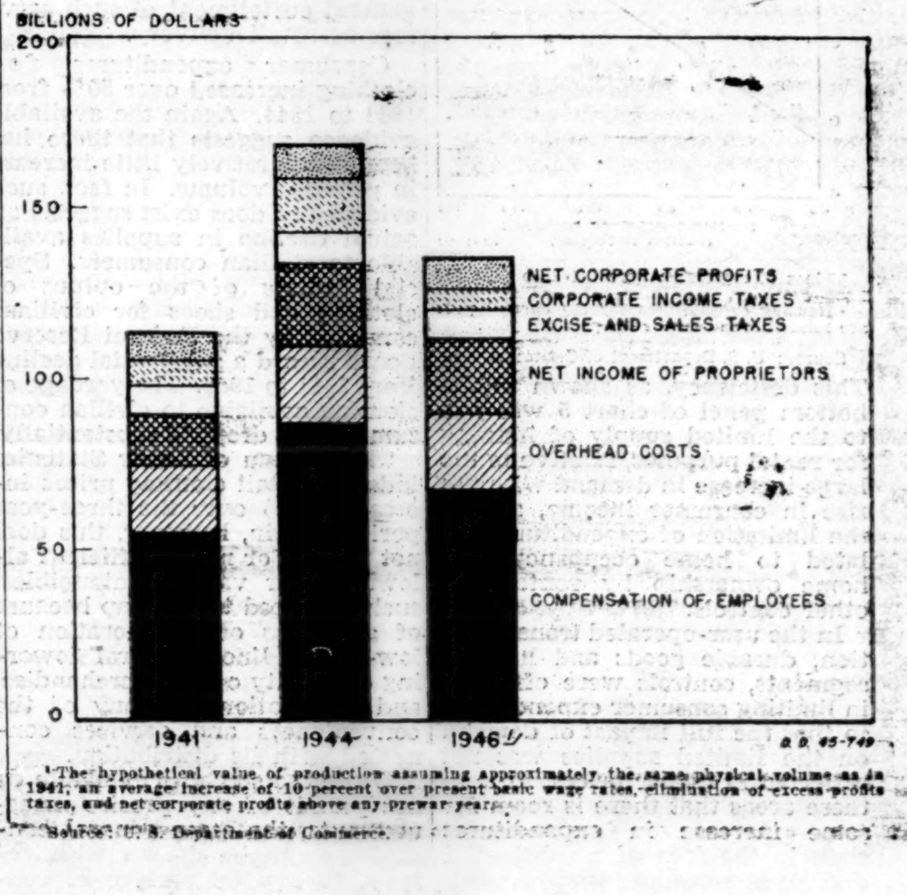
We have indicated that the area in which changing supply-demand relationships will encourage lower prices over the next year or so is much larger than the area in which the pressure of demand on supply will continue for a while. The net change in the general price level, however, will depend on what happens to costs, such as wages, and on government controls, including floors as well as ceilings.

Productive Capacity Inflation Deterrent

Deferred demands will be important in some lines for several years. But in general the dominant fact is the enormous productive capacity of this country. Excepting the difficult period of transition from war production, it

Chart 7.—Distributive Shares of Private Production

(Before Adjustment for Inventory Revaluation)



[1] The hypothetical value of production assuming approximately the same physical volume as in 1941, an average increase of 10 percent over present basic wage rates, elimination of excess profits taxes, and net corporate profits above any prewar years.

Source: U. S. Department of Commerce.

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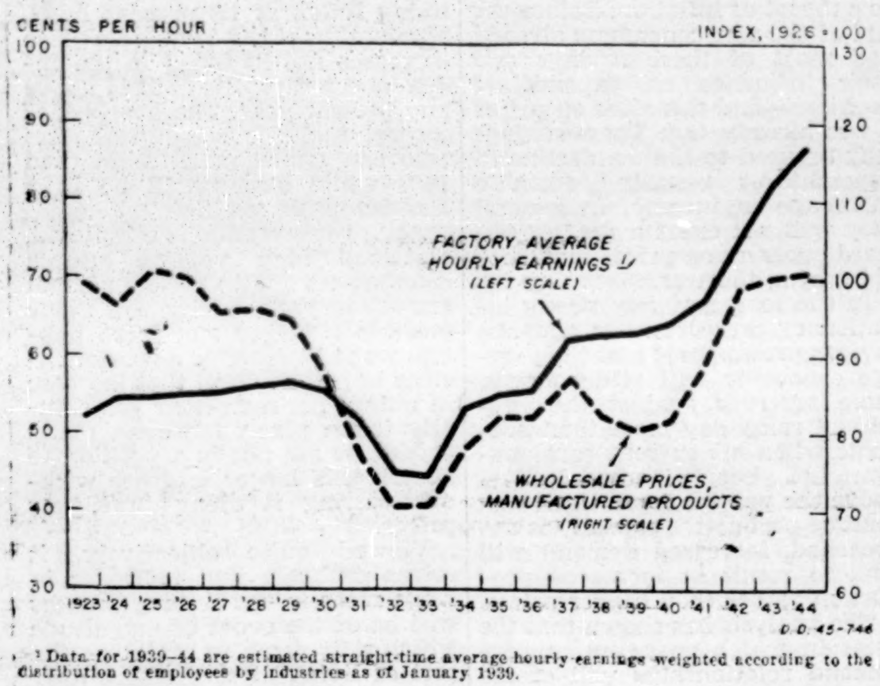
* Wilson D. Stevens, "Planned Capital Outlays by Manufacturers," June 1945, "Planned Outlays and Financing of Manufacturers" and "Planned Outlays and Financing of Utilities and Railways," July 1945.

Chart 8.—Average Hourly Earnings of Factory Workers and Wholesale Prices of Manufactured Products



[1] Data for 1939–44 are estimated straight-time average hourly earnings weighted according to the distribution of employees by industries as of January 1939.

Source: U. S. Department of Labor.

is hard to visualize any general inflation of the prices of goods and services without full employment. Until that level of production is approached any pressure of demand will tend to show up in increased production rather than in higher prices.

A peacetime level of production which approaches the capacity of available manpower can provide a very large increase over the prewar standard of living. In order to reach this higher standard of living, consumers must not only satisfy their deferred demands but also buy a wide variety of goods and services which many of them never had before.

Granting that human wants are inexhaustible there is also some inertia to rapid changes in ways of living. It is difficult to visualize the average consumer increasing his consumption of goods and services by somewhere around 50%, which would be possible under conditions of full employment, and still leave unsatisfied demands sufficient to exert an upward pressure on the general price level. This inertia to rapid changes in ways of living also should temper any inflationary tendency resulting from the desire of consumers to spend part of their wartime savings.

Production Costs

Shifting to the second viewpoint, let us see what has happened during the war to all of the factors which make up the total cost of production and distribution and what may happen to them. Chart 7 shows these cost factors, as well as profits, for the privately produced segment of the gross national product in 1941. It excludes government wages and salaries and interest on Government debt.

Overhead Costs

A group of overhead items, including interest, rent, depreciation and other reserves and various real estate and other taxes which do not fluctuate with business volume, accounted for roughly 18% of the total value of privately produced goods and services in 1941. As a group these overhead items increased about 10% from 1941 to 1944. Since there was more of an increase in the physical output of goods and services this meant an actual decline in unit cost.

The future cost of these items per unit of output will depend largely on the total volume of business transacted. The net increase in this unit cost from 1941 to 1946 is not likely to exceed 10%. With a higher level of production required for even moderately good employment in subsequent years, the cost per unit might actually be less than in 1941.

Wages and Salaries

About half of the total value of goods and services produced in the private sector of the economy in 1941 was made up of compensation of employees. The increase in hourly wage and salary rates since 1941 has been a little more than one-fourth. This is the average intra-industry increase in straight-time hourly rates. It includes upgrading as well as changes in basic wage rates. The increase in the average pay envelope was considerably more because of overtime and because of shifts of employment to industries paying relatively high wages. The aggregate of wage and salary payments was further expanded by the increase in the number employed.

The wartime labor cost per unit of product was increased further by premium rates for overtime. In manufacturing alone these premiums amounted to about 7% of total wages. They were a smaller part of the compensation of all private employees including salaried workers and nonmanufacturing wage earners.

The cost per unit of product was also modified by a variety of influences affecting productivity. For example, the use of marginal workers, high labor turnover and the pressure to produce a large volume in a hurry all tended to increase labor costs. On the other hand, costs were reduced by large scale continuous production without the usual changes to meet customers' preference and by reduction of some selling effort and services connected with distribution.

The net effect of these influences on the labor cost per unit of output is difficult to measure. In many instances the same products were not being produced as in 1941. On balance it would appear that, because of temporary wartime conditions, labor-costs per unit of output increased more than wage rates.

By the end of the transition period a large part of the wartime premiums for overtime will be eliminated. There will also be some reversal of upgrading and other wartime increases designed to meet the conditions of a tight labor market. Some of the worst instances of wartime inefficiency should be corrected, but on balance it is doubtful if there will be any large increase over the 1941 output per man-hour. With current basic wage rates, the labor cost per unit of output would be about one-fifth above 1941 but substantially below the war peak.

Over a longer period the increase in labor costs relative to 1941 will be determined not only by further increases in basic wage and salary rates but also by the ability to absorb those higher rates because of increased efficiency. From 1929 to 1941 the increase in the total national output per man-hour averaged a little over 2% per year compounded. The result was a decline in prices notwithstanding the increase in wage rates, and with profits maintained in line with the volume of production.†

Chart 8 is a striking example of this tendency because the growth in productivity has been greater in manufacturing than in the total national output. The average hourly earnings in manufacturing as compiled by the Bureau of Labor Statistics were 30% higher in 1941 than in 1929, but the wholesale prices of manufactured goods were 5% lower. Over the 18 years from 1923 to 1941 the average increase in hourly earnings relative to prices was 3%.

Careful appraisal of all the factors involved leads to the conclusion that the next several years should witness a more rapid increase in productivity as it catches up with the prewar trend.

Incomes of Self-Employed

A little less than 15% of the total output of goods and services in 1941 was retained as income of the self-employed. The 1944 farm income was 88% above 1941. Allowing for the larger output in 1944 the income per unit of output had risen by more than 50%. Incomes of other self-employed, which in the aggregate are somewhat more important than farmers, rose 28% from 1941 to 1944. Because of the difficulty of measuring the physical output of these nonagricultural entrepreneurs we do not know how much their income increased per unit of output.

Both groups have benefited from an extremely favorable competitive situation. The number of farmers and nonagricultural self-employed declined substantially while the demand for their services increased greatly. Their incomes contain an element which is analogous to the overtime and other premiums paid wage and salary workers.

It seems reasonable to expect that entrepreneurial incomes will return to a level more nearly in line with the increase in wage and salary rates since 1941. The bar for the year 1946 in chart 7 assumes a 25% increase over 1941 in income per unit of output for both agricultural and nonagricultural selfemployed and a 20% increase over 1941 in physical volume of farm output.

Over the longer run there is the same possibility of offsetting increases in efficiency. For example, the output per person engaged in agriculture increased 68% or 1.7% per year from 1910 to 1941. There have been larger gains during the war due to accelerated mechanization as well as favorable weather.

Taxes

About 6% of the total value of private production in 1941 was accounted for by excise, sales and related business taxes. These tax payments had increased 30% by 1944, largely because of increased Federal excise tax rates. Some reduction in those rates is probable—if not in 1946, then certainly in 1947.

Another factor affecting the general price level is the reduction in income tax rates. Chart 7 allows for the repeal of the excess profits tax. Even if corporate profits after taxes in 1946 should be as much as 9.5 billion dollars, only slightly below the wartime peak, elimination of the excess profits tax would reduce total corporate income and excess profits taxes to a little over 6 billion dollars as against 15 billions in 1944. This would amount to less than 5% of the value of private production as compared with 9% of the larger output in 1944. Such tax relief does not affect business costs but it obviously makes a considerable difference in what profits can be earned under the existing cost-price structure.

Corporate Profits

Corporate profits, after taxes but before adjustment for inventory revaluation, amounted to 8.5 billion dollars in 1941. It is estimated, however, that almost 3 billions resulted from increased value of corporate inventories because of advancing prices and less than 6 billion was included in the value of current production for that year. This was about 5% of the total value of private production, although a somewhat larger percentage of the net value of production by corporations.

Profits after taxes in 1944 were close to 10 billion dollars, practically all earned from current operations. This was 6% of the much higher output in that year.

For purposes of analysis chart 7 assumes 9.5 billion dollars of profits in 1946, all of it earned from current operations. While this is not intended as a forecast of actual profits next year some consideration should be given to the reasonableness of the figure.

Since almost two-thirds of all corporate profits are earned in manufacturing, chart 9 is an excellent guide. It shows the close relation between profits and the volume of business over the whole period 1922 through 1941. Earnings shown are before income taxes but have been adjusted to exclude inventory profits or losses.

The manufacturers' share of the 9.5 billion dollars, plus income taxes, when related to the higher than 1941 dollar volume of production expected in 1946 because of higher prices, would lie approximately on a line drawn through the years 1932 and 1941.

Table 1 showes profits both before and after taxes related to the value added by manufacture. The figure assumed for 1946 would be a substantially higher margin of earnings before taxes than the average for the years 1923 through 1929 and only a slightly lower margin of net profits after taxes. The aggregate net after taxes would be well above any prewar year.

Since it is for a year in which transitional difficulties will affect both costs and volume this allowance for corporate profits in the right-hand bar of chart 7 appears ample. Prices which would leave such a margin in 1946 would, of course, provide a greater net profit as production gets rolling.

Table 1.—Corporate Profits in Manufacturing Compared With Value Added by Manufacture

	Value Added	*Corporate Profits from Operations			
		Before Taxes		After Taxes	
	Billion Dollars	Million Dollars	% of Value Added	Million Dollars	% of Value Added
1923-1929 average	26.5	3,841	14.5	3,320	12.6
1930	25.1	3,350	13.3	3,033	12.1
1931	18.6	974	5.2	809	4.3
1932	11.6	—879	—7.6	—979	—8.4
1933	14.0	—592	—4.2	—800	—5.7
1934	15.9	87	.5	—179	—1.1
1935	18.6	1,428	7.7	1,070	5.8
1936	21.7	3,065	14.1	2,456	11.3
1937	25.2	2,878	11.4	2,224	8.8
1938	21.5	1,911	8.9	1,534	7.1
1939	24.7	3,057	12.4	2,423	9.8
1940	29.7	4,924	16.6	3,390	11.4
1941	42.6	8,453	19.8	3,507	8.2
1942	56.5	11,000	19.5	4,900	8.7
1943	71.5	14,700	20.6	5,600	7.8
1944	75.0	15,000	20.0	5,800	7.7

*Adjusted to exclude inventory profits or losses, capital gains or losses, etc.
Source: Bureau of Foreign and Domestic Commerce.

Cost-Price Relations in the Transition

Thus under the existing wage rates, the next year would bring a decline from the wartime peak of production costs. A large part of the wartime premiums for overtime, night and holiday work will be eliminated. Increased competition will mean some reduction in the incomes of farmers

(Continued on page 3152)

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† See the demonstration of the latter point in Dwight B. Yntema's "Corporate Profits and National Income" in the September 1944 issue.

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December 27, 1945

The Post-War Price Structure

(Continued from page 3151)

and other self-employed. These changes will be only partially offset by spreading overhead costs over a smaller volume of business. Reduced tax rates will allow a large reduction in profits before taxes and still leave high net earnings.

Again using existing wage rates, and assuming that the physical volume of private production in 1946 will be about the same as in 1941, the net increase in price per unit of national output from 1941 to 1946 would be somewhere between 15 and 20% as compared with the 23% increase to date in the cost-of-living index.

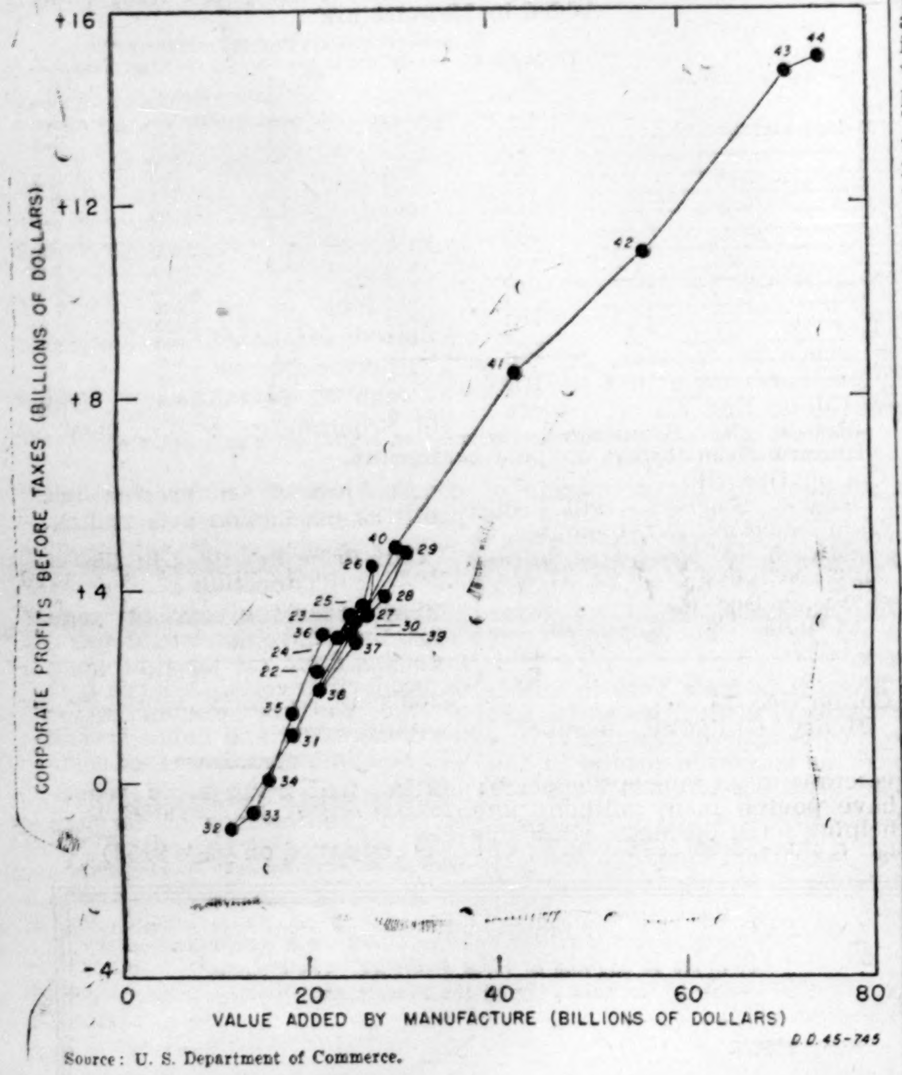
But any assumption of no change in wage rates is unrealistic. The decline in war production will mean a lessening of the extreme pressure of demand on the supply of labor. It also brings about, however, reductions in earnings through loss of overtime and other premiums and through the return from war industries to lower paying civilian jobs.

These reductions in take-home pay, in the absence of a large decline in living costs, naturally present a persuasive case for labor to press for wage increases. The free play of supply and demand will be modified by the action of organized labor and by public opinion, particularly as public opinion may coincide with and be implemented by Government policy. Viewed objectively, there seems a strong probability of further increases in basic wage rates.

It is apparent from the analysis that it is possible to raise wage rates and still keep the cost of living index at its recent level. For the purpose of this analysis chart 7 assumes for 1946 an average increase of 10% in basic wage and salary rates. The result is a total value of private production 23% higher in 1946 than in 1941.

Chart 9.—Relationship Between Corporate Profits in Manufacturing and Value Added by Manufacture

(Profits Before Income Taxes, but After Adjustment for Inventory Revaluation)



Source: U. S. Department of Commerce.

Since the total physical volume is assumed to be approximately the same as in 1941, the hypothetical increase in prices from 1941 to 1946 is in line with the reported increase of 23% in the cost of living index from 1941 to the end of the war. Such an increase in wage rates would still allow for the large profits indicated, and allow for elimination of all the intangible and unmeasurable wartime increases in prices which could not be included in the index.

This 10% is necessarily a rough approximation. More importantly, it is an average for all wages and salaries. It recognizes that some industries can afford a much larger increase while others are in a less favorable position to raise wage rates without raising prices. The variation for individual companies will be even more.

To cite one extreme case, the amount of the allowable average increase is held down by inclusion of domestic service as part of the total value of private production. Since in this instance there are no other costs of production, any increase in wage rates would automatically increase prices.

Longer Run Price-Cost Relationship

The year 1946 is a transition one which will not afford the full impact of lowered unit costs that comes with high volume. That will come after production hits its full stride.

Increased production over the longer period is the answer to the requirement of an increase in the real income of employees, workers, and consumers. There is every reason to assume that the necessary increases in productivity will occur to make possible a larger increase in wage rates without an increase in cost per unit of output. Another glance at chart 8 will serve to emphasize that such increases in wage rates relative to prices are possible.

Inflation or Deflation?

In summary, there has been a general and substantial advance in the prices of almost all civilian-type goods during the war. The exceptions are due more to the inherent stability of some prices than to wartime controls. Careful analysis does not disclose much more than the usual disparity among individual prices, or suggest the need for major adjustments to bring them into line.

In general, the full effect of wartime demand on limited supplies was reflected in increased prices for such items as food and clothing. Expenditures for most nondurable goods and some services, accounting for well over half the consumer's budget, were fully in line with high wartime incomes.

In contrast, expenditures for user - operated transportation, other durable goods, housing and some services have been restricted. The full impact of demand was not reflected in prices. This distinction has an important bearing on the price outlook.

These supply-demand relationships at the end of the war will be subject to strong pressures both inflationary and deflationary. There is need for perspective in viewing these opposing forces so that one is not overly impressed by one or the other.

On the deflationary side there is the sharp cut in Government war expenditures now in progress and the corresponding shrinkage in consumer incomes earned in war production. Government expenditures in 1944 were perhaps 70 billion dollars above a peacetime level. Of this total roughly 20 billion dollars was repaid to the Government in business and personal taxes. Additional amounts were retained as depreciation, other reserves and undistributed profits. The remaining disposable income of individuals earned in war production was about 40 billion dollars.

This does not mean that we are facing any vast gap between consumer buying power and the supply of consumer goods to be purchased. As the productive resources become available possibly a third of the shrinkage in war expenditures will be offset by increased business outlays for capital goods, thus putting income in the hands of consumers without creating additional consumer goods for them to buy.

If production of consumer goods should continue at the wartime rate, the disposable income earned in their production would increase because of decreases in tax rates. The balance of the shrinkage in total disposable income can result in a reduction from the abnormally high rate of wartime saving rather than a cut in expenditures for consumer goods. Those savings in 1944 were perhaps 25 billion dollars above a more normal percentage of the smaller income to be expected in 1946.

Any increase in the production of civilian goods above the wartime level will result in an increase in the incomes earned in that production. Thus it will affect the demand for those goods as well as the supply. Similarly any shrinkage in production for civilians will mean a decline in both buying power and supply.

This loss of income earned in war production does mean, however, that there will not be any such excess of buying power over the available supplies as existed during the war. Declining war production releases resources for expanded civilian supply along with the decline in consumer income. Where prices at the end of the war reflected the full impact of demand on supply the implications of a decline in demand and an increase in supply should be clear.

On the inflationary side are the deferred demands for durable goods and the large accumulation of unspent war income. They will serve to maintain the upward pressure on prices for these goods until large volume production has satisfied the most pressing requirements. Since wartime prices for these goods did not reflect the full impact of supply on demand, some restraint on prices will be needed until production gets rolling.

In most nondurable goods and services the accumulation of spendable funds in the hands of consumers will be more important as a cushion to deflation than as a threat of inflation. Before the end of the war consumers already had most of these savings and their influence on expenditure decisions—and therefore on prices—was already felt. These savings may be used to limit a decline in expenditures resulting from a shrinkage in income. In general they will not exert a greater upward pressure on prices than they did during the war.

In the long run, any strong inflationary pressure from wartime savings presupposes that the average consumer will still consider these reserves against the proverbial rainy day more than adequate when his current consumption has been increased 50% above the prewar level. Until that limit of productive capacity is approached, increased demand will tend to result in increased production rather than higher prices.

The analysis has shown that the areas in which changing supply-demand relationships will create a deflationary tendency are larger than the areas in which inflationary tendencies will persist for a while. The general price level, however, may be determined more by organized pressure on the cost of production than on the balancing of supply and demand in the market place.

The analysis has shown that wartime cost-price relationships were adequate to assure all-out war production and to provide large profits in every major segment of the economy.

Some of the wartime increases in costs, such as premiums for overtime, are disappearing as war production is curtailed. Elimination of the excess profits tax will allow an increase in costs or a decline in prices without impairing net profits after taxes. These savings will be partially offset in the coming months by the need to spread fixed overhead costs over a smaller total volume of business. On balance, however, it is clear that there is room for some increases in wage rates or some declines in prices, or both.

For the country as a whole, including nonmanufacturing as well as manufacturing, it appears that immediate basic wage increases averaging somewhere around 10% are consistent with the maintenance of the cost of living index at its present level, elimination of the intangible price increases not included in the index, and net profits in 1946 above any prewar year. The average, of course, includes some producers who can afford much more than 10% while others will be in a less favorable position.

After reconversion is completed, sustained high volume and a catching-up with the normal growth in productivity will make possible a larger and more general wage increase or a greater decline in prices. Until that increase in output per man-hour has actually taken place, however, many producers are not in a position to absorb this larger increase without passing it along in higher prices.

Viewed quite objectively, it seems probable that increases in wage rates in the coming months will be of the order of magnitude which will serve to maintain the cost of living at somewhere near its present level. Consumers will obtain more for their dollar than they did during the war because of elimination of various intangible price increases, but any change in the general price level will not be large enough to be labeled either inflation or deflation.

Because of the immediate pressure of deferred demands, there is need to hold the price front firmly during the life of the Price Control Act. The key to the price outlook, however, is production. The danger of a spiral of rising prices exists over the next few months only because of the time involved in converting to the output of civilian goods and services.

Looking beyond 1946, the magnitude of our productive capacity—far above what was produced and consumed in the best prewar year—is the fundamental guarantee against the possibility of a further marked rise in the price level. When this production is fully utilized, and the most pressing deferred demands are met, the problem will be one of finding markets for all that our farms, mines, and factories can turn out.

The Investor's Stake in The Anti-Trust Laws

(Continued from page 3130)

unsocial practices of some of these trusts or monopolies were so vicious as to call for correction by passing a law. One of our great troubles in this democracy is that we believe we cure evils by merely passing a law. We forget that the administration of a law and the experience under a law are what really determine its effect.

And so it was with the Sherman Anti-Trust Law which was passed in 1890 but which really did not make any sense until it was interpreted by the courts of the land. The Sherman Anti-Trust Law was one of the most sweeping laws on the books. By its very all-inclusiveness, it has done far more harm than good. Such harm has come because public opinion has not understood how the law has been interpreted by the courts and it certainly has not understood how it ought to be administered. For instance, the Standard Oil case which was decided in 1911 did not disband the Standard Oil Company because it was a monopoly. It did disband it because the management of the Standard Oil Company was shown in their operations to be unprincipled, arbitrary and ruthless. The fact is that companies like the United Shoe Machinery Co. which controlled over 99% of an industry which is as near a monopoly as any one could achieve was approved and legalized by decision of the United States Supreme Court based upon the Sherman Law.

And so in other cases like International Harvester and United States Steel Corporation where the Supreme Court of the United States said that mere size is no longer an offense. There are many more ways in which it could be shown that the Supreme Court stands for reasonableness and decency, regardless of whether a trust or group controls 99% or 70%. In certain cases like the Trenton Pottery case, a small percentage were condemned for indecent practices. Price maintenance even per se which came about as a result of decent and fair operation has not been condemned.

It is my firm conviction that the United States Department of Justice in its Anti-Trust policy today stands clearly across the path of American progress and prosperity. This is not to say that either Tom Clark, the Attorney General of the United States, or Wendell Berge, his Assistant in Charge of Anti-Trust Laws, are not two of the finest men whom one would care to meet. What I mean to say is that American public opinion has been so malformed or so unformed with respect to the Anti-Trust Laws and particularly are our Congressmen so badly informed that we have paid and are about to pay the penalty of defeat in winning the peace, if we do not learn quickly. The Anti-Trust Laws have been used and are being used, whether knowingly or unknowingly, as a political club over the heads of the American businessman who has as much interest in progress as in profit. The Anti-Trust Laws are a political club particularly against the vast group of smaller businessmen in whose survival and sustenance lies the only hope of our continuing and growing as a great nation.

The problems of full employment, the problems of prices, the problems of markets, the problems of research, particularly insofar as the little man is concerned, can only be carried on successfully in cooperation with his fellow businessman who is not big enough to do what the big fellow can do. But the sweeping language of the Sherman Law is still being used to prevent groups of little people in business from getting together to stand up to the competition and practices of the large units in an industry. This has never been brought clearly to the attention of the American Congress nor to the attention of the American people. In this day when we must all sit down and solve our common problems together, there is this law which says "THOU SHALT NOT."

Even in competition between various basic industries like cement and steel and aluminum, the sweeping language of the Anti-Trust Laws is invoked to keep people from working together so that they can either solve their common problems or at least attempt to deal with them.

In answer to the direct question as to how the investor is interested in the Anti-Trust Laws, it is fair to say that his interest is very vital, particularly today. The great lesson of this war was that we all worked together and were thus able to do the job of the home front on production—which had as much to do with the winning of the war as did the effort of those who used at the battlefront what civilians made and created.

In the first place, wasteful competition in peacetime is just as unthinkable as wasteful competition was unthinkable during wartime. We dare not lose the peace —we have too much at stake. The peace can easily be lost if, for instance, the steel industry or the automobile industry or any of the many thousands of industries we have cannot work together to solve the labor problem on an industry-wide basis. Certainly, it is far more important to have full employment and a constantly rising standard of living with securtiy and industrial peace for all concerned than it is to have any other single thing we could think of. A healthy condition in the economy can only be created by all parts of the economy working together. The Anti-Trust Laws are a constant threat and are constantly standing in the way of that being done. Therefore, investments are not only jeopardized but very often are not made because of fear of prosecution. Without investment, employment is not created.

Another great problem is the fact that the stockholders' money is wasted by endless, needless harassment and litigation instituted by the Government not for the purpose of really proving any great issue but because it make good political reading. Hundreds of millions of dollars in time and money are being spent by American business to carry on litigation which could never be successfully carried through the courts but which have been instituted by the Government to force the companies to choose the easiest way by compromising, even if it hurts the stockholders.

For instance, there is now a trial going on in the motion picture industry to provide for the divorcement of the motion picture companies from the operation of theatres. The motion picture industry has been in litigation for years and years. The litigation seemingly never ends. In the final analysis, the economy of the situation must be adhered to. There is no improvement in the situation by divorcing the theatres from the motion picture companies because the stockholders in the final analysis would be about the same. The Government makes a great show of prosecuting a big company or big companies. Really, it is prosecuting many hundreds of thousands and in some cases millions of stockholders. The Anti-Trust Laws should be used to eliminate unfair competition or monopolistic practice should be common sense not legalism.

This is most unfortunate to those investors who are willing to speculate their money and start a small business. The small business is not protected by the present enforcement of the Anti-Trust Laws. In fact, such enforcement is clearly destructive of small business.

Today, wages and prices are national problems. They cannot be treated on a piecemeal basis. It is a question of whether they can even be treated on an industry-wide basis as in steel, for example, if all other industries cannot get together to solve their problems. In certain industries, laws have been passed to permit industries to work together but these industries have had political "know-how" like coal and milk and there is no reason why all industries are not in that same category.

When we were called upon to make the greatest effort in our history during the war, the Anti-Trust Laws had to be suspended. The Sherman Law which is typical of the Anti-Trust Laws says that every contract, combination and conspiracy in restraint of trade is hereby declared unlawful. The fact is, as the Supreme Court pointed out in 1911 in the Standard Oil case the language makes no sense because every time that you as a shoe dealer sell a pair of shoes, to that extent you restrain trade by taking that particular shoe buyer out of the market. The purchase of a pair of shoes is a contract in the legal sense. Any one as a layman can therefore see that the rule of reason had to be laid down by the Supreme Court by reading into the law the word "unreasonable" so that the law really now reads "every unreasonable contract, combination and conspiracy in restraint of trade is hereby declared unlawful." The fact is, as pointed out then, that wherever and whenever we have faced an emergency, when people have to work together, the Anti-Trust Laws were put in cold storage. These laws put pressure on certain American businesses so that they are restrained from doing things which are in the interests of the American people. The fact is that today more than ever the American people must work together. The labor unions must work with management. There is a great field here for working together to solve many problems, especially through a whole industry. Most people in business, under certain circumstances, have no objection to raising wages as long as it is uniformly done. We are too big, too varied and too diversified to have every one go his own way.

The Government has recently brought a suit against the General Electric Company and others which, if successful, might mean that lamps would cost the American public considerably more than they do at present. The fact is that the cost of lamps in this country has been reduced from 60% to 90% in the last 20 years. The Government is suing so that marginal producers could be put back into business at not only a cost in money to the American producer but at a cost in working standards and in progress.

The great need in this country is for all the people to work together. These laws are used to keep the people from working together. I have suggested that the laws be amended in line with the decisions over the last 35 years, which would place the accent on whether a group was or was not violating the Anti-Trust Laws not on technical grounds but on the proposition as to whether the group was or was not serving the public interest. As a matter of fact, THE INVESTORS LEAGUE for which I am Vice-President and Counsel, is making it one of its policies to see that these Anti-Trust Laws are so amended as to avoid their further use for political purposes or for interference in the progress of mankind.

We know that there could not have been any atomic bomb produced if the Anti-Trust Laws had stood in the way. The whole world is full of atomic bombs of one kind or another. The wage problem, other labor problems, the pricing problem, the social security problems, problems of health, disease and nutrition—all of these and many more cannot be dealt with successfully unless all peoply can freely and fully work together to see how they can be solved. The present Anti-Trust Laws make no sense any longer, as the Government interprets them. They only make some sense as the courts have interpreted them— and this interpretation is on a case by case basis which makes it hard to get any one to venture on the outcome. They only make sense if they really promote competition. Certainly, it does not stand to reason that unit "A" in an industry which presently controls 1% of the business of an industry can successfully continue its method of operation against a company that has 50%. Businesses "A," "B," "C," etc., are now prevented from getting together if they represent 20% of the business so that they can really compete. Now this group of "A," "B" and "C" the Anti-Trust Laws condemn to death.

The small businessman is gradually being destroyed and he will be destroyed by the Anti-Trust Laws. We organized a Smaller War Plants Corporation and the press is constantly full of speeches by Senators and Congressmen to help the small businessman when the small businessman can only meet the competition of the big units by being able to get together with other similar units.

We have been and are going to pour out billions of dollars to help veterans to go into business. We have poured many millions into helping small business. All of this is taxpayers' money and the money of investors. Unless the small businessman has a chance on the basis of fair competition with his larger competitors by being able to work with his fellow small competitors, we are wasting a great deal of the taxpayers' money.

New York Stock Exchange Weeky Firm Changes

The New York Stock Exchange has announced the following firm changes:

Marjorie L. Bratter will retire from limited partnership in Burnham & Co. on Dec. 31.

Arthur M. Nelson will retire from partnership in Cowen & Co. on Dec. 31.

Benjamin F. McGuckin, member of the Exchange, will retire from limited partnership, and Louis D. Froelick and Subhi M. Sadi from general partnership in De Coppet & Doremus, on Dec. 31.

Samuel W. West, member of the Exchange, retires from Filor, Bullard & Smyth on Dec. 31.

George A. Robinson will withdraw from partnership in Goodbody & Co. on Dec. 31. Interest of the late Edwin G. Colwell in the firm will cease on the same date.

Herbert H. Weitsman will retire from Gimbel & Co. on Dec. 31.

A. Pam Blumenthal, Rudolph Zenker and Daniel H. Silberberg will withdraw from H. Hentz & Co., effective Dec. 31.

Douglas C. MacCallum will retire from Holsapple & Co. on Dec. 31.

Richard E. Norton will withdraw from Hornblower & Weeks on Dec. 31; Edward O. McDonnell, limited partner in the firm, will become a general partner, effective Jan. 1; interest of the late Walter R. Herrick, limited partner in the firm, will cease on Dec. 31.

Theodore Weicker, Jr., retires from partnership in E. F. Hutton & Co. on Dec. 31.

Harold B. Blumenthal will withdraw from Robert J. Levy & Co. on Dec. 31.

Henry Siegbert will retire from Lewisohn & Co. on Dec. 31.

Edward M. Brown withdraws from partnership in D. T. Moore & Co. on Dec. 31.

Nicholas G. Roosevelt will withdraw from limited partnership in W. H. Newbold's Son & Co. on Dec. 31.

Henry Grabosky, member of the Exchange, will retire on Dec. 31 as a partner in Newburger & Hano.

Joseph H. Fauset retires from partnership in Singer, Deane & Scribner as of Jan. 1.

Samuel S. Lerner retires from A. L. Stamm & Co., effective Dec. 31.

Henry D. Talbot withdraws from Stern, Lauer & Co. as of Dec. 31, his privilege to act as alternate for Richard P. Limburg ceasing on the same date.

Howard J. Nammack, general partner, and Howard B. Dean and Floyd C. Noble, member of the Exchange, limited partners, will withdraw from Struthers & Dean as of Dec. 31.

Albert Ulmann retires from partnership in Sulzbacher, Granger & Co. on Dec. 31.

John R. Wechsler will retire from partnership in Wechsler & Co. Dec. 31.

Walter H. Laband will retire from partnership in Wertheim & Co. on Dec. 31.

William A. Barron, Jr., retires from partnership in White, Weld & Co. on Dec. 31.

Henry H. Silliman of Wilmington, a limited partner in Laird & Co., will become a general partner, effective Jan. 1.

Herbert R. Johnson, general partner in Orvis Brothers & Co., will become a limited partner as of Jan. 1.

Interest of the late Lewis H. Parsons in Graham, Parsons & Co. will cease Dec. 31.

John E. Scheffmeyer, partner in Scheffmeyer & Co., died on Dec. 16.

Privilege of Archibald Douglas, Jr., to act as alternate on the floor of the Exchange for Van Vechten Burger of Pershing & Co., will be withdrawn on Dec. 31. After Dec. 28, privilge of Harry R. Engeman to act as alternate for Louis B. Froelich will also be withdrawn.

Bilheimer Returns to Wahler, White & Co.

KANSAS CITY, MO.—William E. Bilheimer, Jr., has returned to Wahler, White & Company, Dwight Building, after serving with the U. S. Army. Prior to joining the armed forces he was a vice-president of the firm.

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

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Interest Rates and Inflation

(Continued from first page)

Raising of discount rates—the interest rates applied by central banks—recommended itself as the classical and traditional policy of central banking developed for more than a century. It appeared also as the logical consequence of the monetary business cycle theories prevailing at that time. The theorists, and especially the followers of the eminent Swedish economist, Knut Wicksell, were of the opinion that in order to stabilize the price level, one had only to regulate the quantity of money; and, that this, in turn, could and should be achieved by making the supply of credits from the money issuing authorities more expensive.

Today, the recommendation or the mere mentioning of a restrictive discount and interest policy as a means of checking inflation, appears to the overwhelming majority of economists as well as businessmen in this country as almost ludicrous. This shows the extent to which ideas on this subject have changed and traditional views been replaced by what in the opinion of this author must be called a general confusion of minds.

Uncertainty of Diagnosis

This confusion begins even at an earlier stage when the existence of inflation is questioned. Besides much inflation talk, there is much deflation talk around; and the danger of the divergence of opinion is that it seems to be especially pronounced in the Government. The OPA is decidedly inflation-minded, whereas the Secretary of Commerce has frequently expressed his fear of deflation. Incidentally, this uncertainty of the Government in the inflation and deflation controversy supplies an early and conclusive confirmation of those skeptics who have doubted Governmental ability to stabilize the business cycle. It is clear that Governmental business cycle stabilization is only possible under the assumption: that private enterprise can err in regards to the future development and therefore be prone to indulge in over-optimism or over-pessimism, whereas the Government that must counteract the excessive expectation of private enterprise has a clear and certain vision of the future. Now, on the first occasion when cycle stabilization is put to a practical test, it turns out that Government officials are subject to errors and uncertainties like other human beings so that their ability to stabilize the cycle can not be relied upon.

Those in Government as well as in business that fear inflation base their diagnosis as is well known on the presence of a huge pent-up demand and purchasing power. This author considers this diagnosis basically correct. Pent-up purchasing power is nothing else than deferred inflation, as the history of almost all post-war periods proves.

Those who are deflation-minded base their opinion on the fear that lowering of the "bring-home pay" would create a deficit in effective demand. This argument is of course in many cases political rather than scientific. It is presented to show the necessity for raising hourly wages. Where it is seriously meant as an economic argument, it does not take into account that the demand pent up through many years of war, the credit expansion of the rehabilitation and reconstruction period ahead, and the usual waste of post-war years will add so much purchasing power to the wages of the production period itself that a deficit in the latter, even if it really occurred, would be compensated and over-compensated.

The "Cart Before the Horse" Therapy

As far as the actual policy is intended to be an anti-inflationary policy, it concentrates exclusively on the fight against the symptoms rather than the causes of inflation. It does not endeavor to reduce the quantity of money spendable at the markets, but to prevent the natural effects of the enlarged money quantity—the raising of the price level. It is generally not realized what fundamental changes from previous policies this implies. The laws of the market which formerly alone prevented price-raising are replaced by criminal laws which penalize the raising of prices according to the market laws. The smooth and inexpensive price-fixing by means of the market is replaced by a very expensive and complicated price-fixing and law-enforcing organization. This, incidentally, creates the very unwelcome phenomenon of hundreds of thousands of businessmen becoming offenders of the law who otherwise would have never come in contact with the courts; this, because of the paradoxical situation in which they are placed by a system of prices fixed contrary to the laws of the market.

The reasons why neither the OPA nor any other Governmental agency has not even considered fighting inflation by monetary measures are manifold:

First of all, it seems to be entirely forgotten that it is not only possible but natural for a currency to be held scarce in order to uphold its purchasing power over goods. Forgotten seems to be the method whereby under the gold standard the value of the currency was preserved, the so-called discount policy of the central banks. Nobody thinks any longer of reducing the quantity of money when the coverage of bills by gold deteriorates. One either reduces the coverage requirements or devaluates. The concept of a totally elastic currency seems to have replaced the concept of the currency of which the quantity is restricted in one way or the other. It is natural that in a world in which the supply of money is thus considered as unlimited, the feeling for the necessity of curtailment of the quantity of money is weakened.

Furthermore, fear that the low interest rates of the Federal Reserve Banks could lead to inflation has been abated by the experiences of the Thirties, when the supply of extremely cheap money did not lead to an inflationary but rather to a deflationary situation. One forgets, however, that this was the result of the abnormally low investment demand created by various, especially political, factors of that time. Today, expectation of unlimited markets due to pent-up demand must create a very strong requirement for money through withdrawals of bank deposits and requests for new credits from the side of business—not mentioning the demand from the side of the still entirely unbalanced Governmental budget. In such a situation on the demand side, low interest rates create inflation, whereas raising of interest rates could prevent inflation.

Finally, there seems to be a certain inclination to deny the effectiveness of higher interest rates on the grounds of an alleged inelasticity of the demand for credits. One argues that the interest rate is nowadays of such minor importance in the cost calculation of industry that even a very high rate would not deter demand, other conditions being favorable. To this it must be replied that this argument—beside being inapplicable in industries requiring vast amounts of capital as in the building industry—forgets entirely the indirect effects of low interest rates. Low interest rates, enduring over a period of time, raise the price of common stocks whose earnings seem reasonably assured because the public capitalizes these earnings at a much higher price-earning ratio. This means that venture capital can be raised through the issuance of new stocks at cheap rates and in practically unlimited amounts, at least by the big corporations of the country. Thus, during the boom of the Twenties in the period before the crash, an extremely high price-earning ratio — at that time created through crazy earning expectations—allowed industry to obtain any amount of money which, spent in one way or the other, strengthened the forces of inflation.

High Interest Rates Not Necessarily Coincident with Unemployment

The aversion to raising interest rates has of course its root also in the widely-held theory that easy money means high employment and tight money means low employment. If this theory were correct, high employment could in times of a strong demand for credits only be achieved at the price of inflation. However, the theory is basically wrong. If the supply of credit is kept scarce, it is true, enterprises requiring large amounts of capital are doomed. But enterprises requiring lesser amounts of capital but more labor can carry on provided only that too high wages do not render these enterprises unprofitable. Full employment can be achieved at any interest rate level as shown by experience in colonial countries. If low interest rates threaten to lead to inflation, the relief of business enterprises has to be sought through other means, especially through a reasonable tax and wage policy.

Fiscal Policy Versus Economic Policy

The appeal that low interest rates offer is derived, too, from the fact that they enable the Treasury to finance and refinance the Governmental debt on cheap terms. That the Government is, so to speak, creditor and debtor in one person, because it fixes the rediscount rates of the Federal Reserve System, leads indeed to large savings for the Government and thus for the tax payer. However, the artificially low interest rates on Government securities create an artificial abundance on the entire credit market. All other creditors—private as well as institutional—have to revise their interest claims downwards in order not to be excluded from a market where they are in competition with the cheap money coming directly or indirectly from the Federal Reserve Banks.

Without wanting to argue whether fiscal considerations should be taken at all into account when economic policy is discussed, it may incidentally be pointed out that the structure of the war debt would have to be changed before one could return to an orthodix interest policy. Substantial parts of the debt, especially those financed by the Savings Bonds A to G, represent practically what one used to call a floating debt. Therefore, in case of a marked rise in interest rates, necessitated for instance by an inflationary boom, billions in bonds would be presented for redemption in cash which would increase the forces of inflation. Obviously, this floating debt would have to be consolidated in the traditional way into a truly long-term debt through offering of higher interest rates for truly long-term bonds. This might not even mean an additional burden to the Treasury. For there would always remain a strong spread between long-term and short-term interest rates. So the Treasury could easily pay no interest at all, or relatively low interest, to those who wanted to retain for reasons of liquidity bonds payable at sight—and who, now, paradoxically receive interest equal to those on long-term bonds; whereas, on equally liquid bank accounts, no interest is received.

Needless to say, the return to orthodox financing methods would also result in serious difficulties for banks and other Government bond-holding institutions. The long-term bonds they hold would of course depreciate with higher interest rates, creating catastrophical losses which would have to be taken over by the Government in order to prevent socially and politically unbearable bankruptcies. The return to a sound way of financing is always as costly and difficult as the departure from this way seems easy and advantageous.

Summing up, we may say: the fight against inflation concentrates indeed on the suppression of the results rather than the causes of money abundance. The OPA and the law enforcement agencies have taken over responsibilities that formerly were the Federal Reserve Board's. Increase of the quantity of money is tolerated but its natural effect on prices in accordance with the "Quantity Theory of Money" is prevented. One is reminded that during the high days of the Nazis, the German President of the Reichsbank boasted that the National Socialists had won a victory even over the Quantity Theory. But it turned out to be a "Pyrrhic victory."

Price Stability with Wage Instability

The policy of fighting inflation with price ceilings is, however, not consistently carried through. The policy of ceiling prices must logically be combined with the policy of ceiling wages. Such a combination of policies was pursued and to a certain degree achieved during the war. It has now been replaced with a policy of fixing prices but not wages: wages are to be determined by collective bargaining according to the ability of the individual industry to absorb higher wages through increasing productivity. It has already been mentioned that a wage-boosting policy is unnecessary in so far as it is meant as an anti-deflation device. For whatever reasons it is advocated, it is obvious that it intermingles in a peculiar way with the otherwise anti-inflationary policy of the Government. It is true that it will not create inflation, at least not directly; however, if wages are no longer—as in a free labor market—fixed according to the productivity of the marginal but of the intermarginal enterprise, this must obviously lead to a stoppage of the former. For, if in the large enterprises, who derive high profits from gigantic turnover, labor is entitled to share these profits then workers will just leave the smaller enterprises and join the larger and largest ones. This must lead, at first, to unemployment and thus even to deflation and later to a concentration process that is surely highly undesirable for many reasons. If and as soon as prices are raised under pressure of small business so that they too can pay the high wages of their large competitors, then unemployment and the concentration process is, of course, halted, but an inflationary spiral is started.

The Piling Up of Purchasing Power

In spite of everything that has been said above and could be said further, one has to reckon with a continuation of the prevailing policy. Government as well as public opinion are too strongly committed to it. Nevertheless, our analysis is not just of theoretical but of highly practical importance, for it leads to the perception of what can be reasonably expected as results of this policy—if one cannot change a policy one should at least be prepared for its consequences.

The immediate consequence of the policy must be a huge and unprecedented piling up of spendable purchasing power in the economy through money and credit creation. For there will be a practically unlimited and undefended supply of money and credit facing a huge demand. Governmental expenditures financed by deficits will go on although on a smaller scale than during the war. Furthermore, private enterprise and the Government will proceed with huge investments in this country as well as abroad. They will believe they are entitled to make these investments because the huge amounts of idle funds held in the form of cash or short-term Government securities will create the illusion of a tremendous abundance of wealth. In reality, all these funds are already invested directly or indirectly in loans to the Government and to firms. The fact that they can actually be invested anew arises exclusively from the possibility that every owner of these funds can dispose of them without incurring losses. This again is caused by the preparedness of the Federal Reserve System to rediscount Government securities at negligible rates. The rate of interest that forms when demand and supply for credit are forced to balance without the additional money obtainable through the Federal Reserve System was formerly called in theory the "natural interest rate." There is no doubt that the "natural interest rate" is very high at this juncture. If one would allow it to become effective the illusion of the abundance of the capital markets would disappear. Nobody considers funds "idle" when he receives high interest on them.

Low interest rates are—at least partly—responsible for the boom on the stock market and could be responsible for additional strong price advances—especially if the interest-lowering is carried still further in accordance with the British precedent. These advances would not represent an inflationary boom in the ordinary sense where people anticipate higher earnings through inflated asset values. It would be a recapitalization boom, caused by the fact that earnings are capitalized by ever lower interest rates. It creates a situation in which venture capital too can be obtained abundantly and at low interest rates. This again means, of course, that dormant purchasing power is transferred into actual inflationary purchasing power.

Frustrated Inflation

In the ordinary course of events this would mean strong and general advances of all prices of goods and services. However, as mentioned above, such general price advances have been and will be forbidden. This is why many people believe that all the accumulation of purchasing power can do no harm, as long as the OPA remains in power. To this one has to reply: First, there is no doubt that for a certain time what can be called a "frustrated inflation" will work. And it must be admitted that as long as it works the ensuing prosperity is of an ideal character, inasmuch as it represents prosperity without price increases—a "turn-over prosperity" as one could call it. Not only does this prosperity lack the essential prerequisite for the development of the depression, the price inflation; but it would be of a comparatively long duration. The pent up purchasing power, being not able to spend itself in price increases, guarantees effective demand for goods over a much longer period of time than a purchasing power that is allowed to push prices upward.

However, this sort of "frustrated inflation" cannot go on forever—especially in peace times when the psychological and patriotic inhibitions against breaking the price ceiling no longer work as strongly as during the war. Price ceilings can never be applied universally. There are always realms—for example, the market for used furniture or certain services—which will not and practically cannot be controlled. On these markets the prices will show a slow but decisive increase. The resulting distortion of price and wages—the margin developing between those that are controlled and uncontrolled — will finally result in just that general raising of the price and wage level which one wished to avoid; and which will render the economy vulnerable and exposed to reverses.

But even where price rises are avoided the economy will prove increasingly vulnerable. Wages are under the permanent upward pressure. The ensuing wage increases—where they do not lead to unemployment—are bearable only because the huge turnover due to the enormous pent up demand cheapens and alleviates production and distribution. It is a very high strung system, in which the price-cost relationship remains tolerable only so long as everything works full blast and at high speed. As soon as the slightest slackening in demand will set in, many enterprises will have to shut down because of the losses they suffer. Exactly as at the onset of every depression, the boom will collapse through the losses that the marginal enterprises begin to undergo; only that, this time not the decline of prices, but the decline of turn-over will be the initiating cause.

Cycle as Usual

Our conclusion is: The prevailing monetary policy—and incidentally the prevailing fiscal policy, too—will prove to have been not contra-cyclical, but pro-cyclical and contra-stabilizing. There will develop a situation that will embrace, if not all, so many of the features that usually are called unhealthy, whereas the healthy aspects of the boom—increasing employment—may not necessarily be present. For it could be that labor during this boom would tend to be progressively replaced by labor saving capital investment if the policy is continued of making the use of labor more expensive and of making the use of capital cheaper.

Furthermore, there is bound to develop an additional upward movement on the stock markets, for it is the peculiarity of the aforementioned "victory over the quantity theory" (on the markets for goods and services) that more and more unspendable funds accumulate, of which at least parts are never converted into Government securities but seek to be exchanged into stocks of private corporations.

But after this boom will follow a collapse of serious proportions as soon as a slackening of demand sets in or is feared. For with this slackening of demand the cost-price relation and therewith the profit situation will deteriorate rapidly. Nor will the continuation of easy money give any protection against depression when the forces of this boom have exhausted themselves.

If one wants to prevent a deflationary depression, one must prevent an inflationary boom. If one wants to prevent an inflationary boom, one must prevent inflation in every form. If one wants to prevent inflation in times of strong need for credits—by the Government or by private industry—one must make money scarce. And, if one believes that this method is antiquated and can be replaced by other devices—an opinion which is not at all so original as their originators believe but has been held over and over again during the course of history—one will face disappointment. Interest rates are not as it seems to be assumed nowadays a vicious invention of creditors. They have the function of rationing a scarce supply of credit among those who need it. As long as one wants to avoid the step incompatible with a free economy, of having credits rationed through the Government, a revision of interest rates on the upward side remains the only method of keeping inflation in check.

At the end of World War I, the above mentioned economist, Knut Wicksell, wrote an article "Put the Discount Rates Up," in which he warned that maintaining interest rate far below the natural interest rate would inevitably lead to worldwide inflation. The article was much praised, but nowhere heeded. Inflation ensued, also in those countries where the budgetary situation would have not necessitated it. In view of the prevailing state of mind, it is very probable, and it is to be feared, that history will repeat itself.

Very High Frequency Space Radio for Train Communication

(Continued from page 3142)

time when the need for communication may well be urgent.

These disadvantages do not exist with VHF space radio. Communication can be maintained wherever the engine happens to be located, whether delivering a string of empties to an isolated spur in the stockyards, or picking up a load from a coal mine five miles from the main line.

The range over which communication can be maintained between a fixed station and a train using VHF radio is relatively short, and depends almost entirely on the height of the antenna above the surrounding terrain. For reasonable antenna heights in more or less flat country this range will vary from 10 to perhaps 20 or 25 miles. This range can of course be extended by locating the antenna mast on a hill or tall building. The range of point-to-train communication using inductive carrier is considerably greater, with intelligible communication being obtained at distances of from 40 up to 60 miles. One manufacturer claims ranges up to 100 miles by the use of considerably higher power.

The greater range of the inductive system, which at first glance might seem to be advantageous, actually results in a reduction in the usefulness of the system, since the circuit becomes one great party-line, and a conversation between a conductor and engineer in one part of a 100-mile division can prevent the use of the circuit by trains anywhere along the line. With VHF radio, on the other hand, five or six conversations can be taking place at the same time in different sections of the line without interference.

This controlled range of VHF radio makes practicable the use of the Bendix "Slowtone," which is an emergency warning device that can be used with this system. In the event of a derailment or other emergency stop, the conductor or engineer can throw a switch which will cause the transmitter to broadcast automatically a series of high-pitched notes to warn other radio-equipped trains in the vicinity of the possibility of danger and permit them to bring their speed within safe limits at once. Since the train-to-train range of VHF radio is only about four to eight miles, because of the low antenna heights, the warning is received only by trains in the immediate vicinity, and does not interfere with normal operations in other parts of the division.

The advantages of a light, portable walkie-talkie for train crews while on the ground is apparent. So far, at least, no such device has appeared practical using the low frequencies and high powers required by the inductive carrier system, while with VHF radio these units are not only practical but in production.

A further advantage of VHF radio from the technical side is that at these high frequencies there is virtually no objectionable interference from atmospheric noises or man-made static. The heaviest thunderstorm does not disturb the clear transmission of messages and equipments can be operated directly under high voltage electric wires or on electric locomotives without interference.

The small antennas and low power requirements which characterize VHF radio make for extremely simple installations, with attendant economies. At the lower frequencies the equipment is much bulkier and often presents a real space problem, while the higher primary power needed for the operation of the inductive carrier system often requires additional generating capacity.

Aside from the technical advantages of VHF radio, however, there are operational problems connected with the use of inductive carrier which cannot be overlooked. The most serious is undoubtedly the lack of sufficient operating frequencies to permit the use of carrier by more than a few railroads without serious interference. The wave-lengths where inductive carrier operates are already crowded by other communications services, and while a few railroads could be squeezed in, there is simply not room enough to accommodate the necessary channels to permit its universal use.

The Federal Communications Commission has set aside 30 channels exclusively for VHF railroad radio, and has made provision for operating in other bands on a sharing basis with other services. These frequencies are being allocated among the various railroads in accordance with a plan worked out by the Association of American Railroads on a territorial basis. While I doubt if any railroad man will agree that these will eventually be enough, they at least provide all railroads with enough channels for the present, and there is some room for expansion.

Because of the controlled range of VHF radio, the same frequency used by a railroad in one part of the country can also be used by another railroad in a different location. This is not quite as easy with the inductive carrier system because of its greater range and particularly because of its disconcerting habit of being picked up by electric power lines, or by paralleling telegraph or telephone lines, and suddenly showing up 50 or 60 miles away on quite a different railroad, or possibly interfering with other communications services.

In the matter of cost, VHF radio again shows up more favorably. Because of its lower power requirements and simpler installation, the cost of equipping a locomotive or caboose with radio will average about two-thirds of the cost of a mobile carrier installation. The cost of a fixed point carrier installation, on the other hand, is somewhat less than that of a radio station, largely because of the cost of the antenna mast. However, because of the preponderance of mobile installations, the overall cost of equipping a division with radio is still well below that for carrier.

In a division a 100 miles long, for example, it might be possible to operate with only two carrier stations along the wayside to provide communication with trains anywhere on the main line, while with VHF radio perhaps four or five wayside stations would be required for the same service. The additional cost of these extra fixed installations, however, would be more than offset by the savings in equipping perhaps 20 cabooses and 30 engines on this division with the considerably less expensive radio equipment.

In yard and terminal operations, in end-to-end and in wayside to train, more train communication can be provided for a given capital investment by the use of VHF radio than with any system employing inductive carrier.

So far my remarks have been confined to a comparison of pure space radio and pure inductive carrier. I should perhaps mention that one manufacturer who formerly manufactured only carrier equipment for train communication, now is proposing a hybrid system using both carrier and space radio, the latter for engine-to-caboose or for yard and terminal operations, and the former, because of its greater range, for dispatcher to train. It is not necessary for me to point out that this proposed system requires almost twice the equipment necessary for a mobile installation, requires twice as many precious frequencies, increases the need for spare units and is still subject to the disabilities previously noted.

We at Bendix do not feel that any such compromise system is necessary or desirable. We feel that an integrated system using VHF space radio alone is the most logical and most economical manner in which a railroad can take advantage of the operating economies possible through the use of train communication. In the Bendix VHF Railroad Radio System, the same basic equipment is used on locomotives of all types, on cabooses and in the dispatcher's or yard-master's office. The requirements for spare equipments is thus greatly reduced, and the problems of maintenance are simplified. But further than this, the use of standard equipment in all locomotives permits complete flexibility of use of the engine itself. Engines normally used in humping operation can be transferred to terminal or transfer switching without any change in communication equipment. Engines can be used interchangeably in freight or passenger service, or can be detached from yard operations to work temporarily as helpers on the main line.

Train communication systems, whether of the inductive type or using VHF space radio, will provide speedier, more efficient and more ecenomical railroad operations. With the increased competition from trucks and airlines, we feel that these benefits are of greater importance today than ever before, and we are confident that the coming year will see a great start towards the equipping of all railroads with some form of train communications. In view of the many advantages of VHF radio over systems employing inductive carrier, we are even more confident that the majority of new installations will use VHF space radio.

N. Y. Savs.-Loan Associations Assets

The total assets of the 243 savings and loan associations in New York State reached the $700,000,000 mark on Nov. 30, 1945, according to estimated figures issued on Dec. 21 by Z. V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations. The announcement says:

"Savings by the general public in the associations increased 17.5%, or $91,315,227, during the first 11 months of 1945, bringing total assets up to $700,253,866 on Nov. 30th. Savings during November showed an increase of 0.3%, or $1,698,956, representing the lowest net gain for any month during 1945. Mr. Woodard stated that this slowing up in savings during November was due to the usual year-end and Christmas requirements of members as well as the Victory Loan Drive.

"Estimated mortgage loans made by the associations during November, 1945, showed an increase of 58%, or $4,404,179, over November, 1944, when total loans amounted to $7,652,261. Of the $12,056,440 loans granted during November, 1945, $8,990,912 were for the purchase of homes and $1,442,712 for the refinancing of previous mortgages. Construction, repair and miscellaneous loans amounted to $1,622,816."

Bitting in North Carolina

ST. LOUIS, MO.—Bitting & Co. have announced the removal of their office in St. Louis to Biltmore, N. C., and the withdrawal from the partnership of Randolph H. Dyer.

William C. Bitting, Jr., and Bern Norpoth will be resident partners in North Carolina.

This is not an Offer

TO THE HOLDERS OF

Republic of Colombia

6% External Sinking Fund Gold Bonds
Dated July 1, 1927, Due January 1, 1961,

6% External Sinking Fund Gold Bonds of 1928
Dated April 1, 1928, Due October 1, 1961,
and
the appurtenant coupons designated in the Offer
and
Convertible Certificates for 3% External Sinking Fund Dollar Bonds, Due October 1, 1970.

NOTICE OF EXTENSION

The time within which the Offer, dated June 5, 1941, to exchange the above Bonds and the appurtenant coupons for Republic of Colombia, 3% External Sinking Fund Dollar Bonds, due October 1. 1970, may be accepted is hereby extended from December 31, 1945 to December 31, 1946.

The period for exchange of Convertible Certificates for 3% External Sinking Fund Dollar Bonds of the Republic due October 1, 1970 in multiples of $500 principal amount has also been extended from December 31, 1945 to December 31, 1946.

Copies of the Offer may be obtained upon application to the Exchange Agent, The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

REPUBLIC OF COLOMBIA
By CARLOS SANZ DE SANTAMARÍA
Ambassador Extraordinary and Plenipotentiary of the Republic of Colombia to the United States of America.

December 21, 1945

The Menace of Declining Profits

(Continued from first page)

been pointed out. But, the progressive whittling down of entrepreneurs' gains (i. e., profits) has been generally looked upon as an augury of economic justice and social progress, while rising wages at the expense of profits has been likewise hailed as a general blessing and a portent of continuing and expanding prosperity.

No one, with a proper sense of justice, would decry the tendency toward higher wages and better living standards for wage-earners. The portion of labor in the national dividend should be maintained and increased, and profits should not be obtained at the expense of labor. No economy could long endure and make progress under such a system. But when wages and other production costs, such as taxes and unwarranted restraints of regimentation, are artificially boosted so as to steadily lower profit margins, labor, capital and management alike will suffer. The boat in which all are travelling will be submerged. One cannot exist without the others.

A century or more ago, economists and statesmen preached the necessity of a high profit margin as a means of promoting and maintaining national prosperity. The average rate of profit or return on capital investment was regarded as a standard of prosperity, which could be used to ascertain the comparative state of different countries or of the same country at different periods. True, many, like Sir William Petty and the late Sir Robert Giffen, stressed the presence of physical wealth and natural resources as a comparative gauge of economic power and prosperity, and neglected the importance of the effectiveness of productivity and earning power. And there were those, like Ricardo and his school, who held that wage increases were generally at the expense of profits, or to state it differently, a rise in general wages (other things being equal) can come about only through a reduction in the rate of profit. Yet, it had been long recognized that falling rates of profit in any country, whatever the cause, impeded or reduced capital accumulation and was an augury of industrial and commercial decay. This was pointed out as early as 1675 by Sir William Temple, in his "Observations on the Netherlands" when he states that Holland was then passing the peak of its greatness, because the rate of profit was declining and was tending to a level which did not induce men to engage in commerce or industry at home, but rather to seek investment elsewhere. Similarly, British writers and economists have pointed out from time to time that the rapid progress of America was due mainly to the high return on capital invested in business enterprise. The comparative average rate of profit was therefore considered as a real barometer and an infallible criterion of national prosperity, shared in by all classes alike.

Progressive Profit Rate Decline

As a nation develops and becomes more mature there is a natural tendency for the rate of profit to decline. But this tendency is offset by more steadiness, and certainty of profit, and, with an expansion of total profits that accompanies the growth of capital. Thus, it is not surprising that the average turnover profits of department stores is less than 3% or that the United States Steel Corporation maintains its profit rates have been progressively declining to the vanishing point. The railroads have been showing this tendency for more than a generation, and only recently, Leroy A. Wilson, Vice President of the American Telephone and Telegraph Company, after a completion of a study of the System's capital structure and earnings during the last twenty-five years, reported that, whereas the earnings on stock in 1920-1926 was 9.5%, it has fallen to 7.8%, despite a reduction in relative fixed charges and a better relationship between debt and capital stock.

"There is no certainty today that the system necessarily has to earn as much as it did in the Twenties in order to get the new money it needs for further expansion," Mr. Wilson stated. Looking to the future, he continued, "while some uncertainty exists, it looks as though earnings somewhere between those for the period when the system sold most of the stock (9.5%) and the average for the long (1920 - 1944) period (7.8%), may be sufficient to induce equity investors to entrust more money to it in the future."

Comparing the telephone systems with a 20-year earnings record of 1,300 leading manufacturing corporations, Mr. Wilson said that their earnings on money invested in them averaged 8.2%, compared with 7.7% earned in the same period by the telephone company. He offered the twenty-year record as a means of judging what its earnings on stock money need to be. In contrast with the earnings record of these corporations since 1925, Mr. Wilson cited a "quite different picture in the last three years," which showed that average earnings of the group of companies rose to 9.9%, while A.T.&T.'s earnings on its stockholders' investment were only 6.7%. But this can be ascribed to war time operations and cannot be taken as a situation that will exist under peacetime conditions.

Britain's Socialism and Declining Profits

Great Britain furnishes, perhaps, the best example of the effects of progressive declining rate of return on capital investment. British rail earnings over the last century have shown an almost steady decline compared with the amount of capital invested in them. And this is undoubtedly true of earnings and investment in other leading British industries, notably coal and textiles. The situation has not gone without notice by British statisticians and economists. It is just as much responsible for the economic plight of the United Kingdom as the set-backs due to wars and loss of foreign investment holdings. The complaint that British capitalists have not been as alert as Americans and Germans in introducing modern equipment and efficient methods to make her industries more productive may seem fair, yet, it should be borne in mind that British capitalists, as shrewd intelligent beings, have sensed the trend of declining gains in their capital commitments at home and preferred not to risk funds in sinking ventures, when capital could be more lucratively employed abroad. Thus, the old prewar question of a "mature economy" preventing rapid progress and prosperity crops up again!

A "mature economy" is taken to be a static and decadent economy, unless enterprisers are given an incentive to maintain its youth and add to its growth. The fact that there has been so little political and economic disturbance in Great Britain because the Labor Party has come into power with a program of "nationalization" may undoubtedly be ascribed to the feeling that inasmuch as private operation of industry has become unprofitable, government operation is inevitable. It is not surprising, therefore, that the so called "middle class" and certain capitalistic groups are found in the ranks of the Labor Party. The same condition prevails, to a considerable extent, in France, where nationalization of leading industries is the inevitable outcome of progressive profitless private capitalist operations. This has been indicated since the last war, when several of the railroads of France reverted to Government operation, because they could not be profitably operated by stockholders even under the plan of a government guarantee. They have become a burden on the French Treasury. A similar situation developed in New York, in connection with private operation of city transportation. The taking over of the transit system by the municipal authorities was not regarded as a socialist experiment. It was more in the nature of an essential expedient to keep the facilities in operation. The same sort of thing would happen in the case of banking and insurance, if these essential activities in our economic life could not be operated profitably by private enterprise. It is not the problem of monopoly control or of concentration of capital which is the main motivating agent toward adherence to collectivism. It is more a case of progressive decline in profits, arising in part from competition itself, and in part, from public policies, which restrict and diminish profits, that this transition which is now taking place in many parts of the world is regarded as non-revolutionary or as a natural metamorphosis.

What Policy Shall We Pursue?

If all this is true, what is the outlook in our own economy? Must we inevitably effect the same transition? Or can we regulate and readjust our system of competitive private enterprise and free economy, so as to continue to progress along the lines that have, in a period of a few centuries, made our nation the richest and most productive on earth? Must we accept the former New Deal principle of a "mature economy", a theory of limited growth or a nascent decadence, and fortify ourselves against it by a policy of stagnation and statism? Or can we by sane government and economic policies, continue to grow and expand in both material power and individual welfare?

The answer appears plain! Briefly, everything should be done within the limits of equity and physical possibility and under a condition of democratic opportunity to foster the profit incentive. This does not mean that entrepreneurs and speculators are to be given a free hand. It does not mean a return to complete "laissez-faire". But it does mean a modification of restraints, regulations, regimentation and all the other handicaps to enterprise and risk that have come out of the war, or have resulted from political action taken under the false theory that a particular group in the economic processes, by which the community lives and supplies its wants, should be unduly favored at the expense of the other groups.

It has long been an economic maxim that high wages cannot be paid when business is profitless, and that higher profits inevitably result in higher wages under conditions of competition. High profits and high wages should go together. A policy of "costs up-profits down" cannot long endure. Permanent prosperity can come only from a continuation of capital accumulation and improvement in the productiveness of its use. Certainly, capital will cease to accumulate under a private enterprise system when profits approach the vanishing point.

Let Mr. Wallace and others of his ilk, who offer the political bait of "Sixty-Million Jobs", and "Jobs for All", regardless of costs and taxes, take heed of these words. Or we will be next on line to an enforced adoption of socialism under a static or decadent economy.

Public Utility Securities

(Continued from page 3134)

11 over-counter, reported earnings last year of $2.96 a share (interim figures not available). A dividend of $1.60 was paid Jan. 3, 1944, and $1.20 Jan. 2, 1945; the next payment has not been indicated.

Cincinnati Street Railway (around 15½ over-counter) has paid $1.40 in the past two years, giving the stock a yield around 9%. Earnings in 1944 were $1.54 a share—and in the previous year $1.58, after the bond sinking fund.

National City Lines is an aggressively-managed holding company controlling a number of bus lines in separate local systems over a wide territory, principally in the middle west. The stock offers a fair dividend yield and the price-earnings ratio seems reasonable. The company should have substantial system tax savings, estimated at around $5.38 based on 1944 figures. The company has a conservative capital structure and dividends have been paid since 1937 (the company was formed in previous year).

Chicago South Shore & South Bend is an electric interurban railroad reorganized in 1938. At the current over-counter price around 15 the stock yields about 8% and the dividend appears fairly well protected.

Market Street Railway Prior Preferred, last remaining issue of that company on the Big Board, is purely a liquidating issue, the property having been sold to the City of San Francisco some time ago.

Bache & Co. Reopen Miami Beach Office

Bache & Co., the New York Stock Exchange firm, has reopened its Miami Beach office at 2469 Collins Avenue. Ben Richard is manager. Also associated with the new office is Sam V. Silsbee.

The previous Miami Beach office of the firm was closed in 1942 when the Army Air Forces required the space for training purposes.

Graefe & Co. Resumes

DES MOINES, IOWA — Harry B. Graefe is resuming the investment business after his release from service in the U. S. Army. Until March, 1946, the firm will be located in the Securities Building and thereafter will be in the Equitable Building. Mr. Graefe will conduct his business under the name of Graefe and Company as in the past.

Approves Anglo-U. S. Financial Agreement

(Continued from page 3137)

of the Council on Oct. 22, 1945 relating to "Restrictions of the Sterling Area Affecting American Foreign Trade."

Cooperation between the two Governments along the lines laid down is a prerequisite to restoration of a healthy world economy and the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development. All of these developments will have an important bearing on the stabilization of exchange rates. Further study should be given by the Congress of the effect on our gold position of all the proposed credits to foreign countries now under consideration.

The Executive Committee emphasizes, however, that the granting of this credit must not be viewed, here or abroad, as tantamount to a lien on American production. World economic recovery is contingent upon prompt reconversion in the United States and the maintenance of our economy at a high level.

Reiteration is given to an applicable statement contained in the Final Declaration of the Thirty-Second National Foreign Trade Convention:

"During the temporary period of short supply of goods in this country, the Convention recommends to American industrial management the provision for export of a fair portion of their output, in order to lay a solid foundation for a permanent foreign trade. In no event, however, should control over exports be exercised, under agreements or commitments for American financial or other aid to foreign countries, which would compel the exportation of any commodity or product in quantities sufficient to jeopardize the American economy."

The Executive Committee, during preliminary consideration of the "Proposals for Expansion of World Trade and Employment," referred to in the joint statement reached by the United States and the United Kingdom on commercial policy, notes with satisfaction the incorporation in these proposals of most of the elements of the National Foreign Trade Council's Declaration of Principles endorsed by the Thirty-Second National Foreign Trade Convention.

The Executive Committee specifically commends the intent of the two Governments to submit the proposals to representatives of other countries and to the contemplated International Conference on Trade and Employment. It is believed that world agreement on the adoption and implementation of policies to break down world trade barriers and to develop a Code of International Commercial Conduct is necessary to insure restoration and expansion of world trade.

Dearmont In Post at St. Louis Federal Reserve

The Board of Governors of the Federal Reserve System has appointed Russell L. Dearmont as a Class C director of the Federal Reserve Bank of St. Louis for the unexpired portion of term ending Dec. 31, 1946, according to an announcement Dec. 10 of William T. Nardin, Chairman of the board of the St. Louis bank.

Mr. Dearmont was born at Mound City, Mo., received his A. B. Degree from the Southeast Missouri State Teachers College, Cape Girardeau, 1911, and his LL. B. Degree from the University of Missouri, Columbia, 1914. He began the practice of law at Cape Girardeau in 1914, and was a member of the Missouri Senate from 1929 to 1932. Since April, 1936, he has been General Counsel for Trustee, Missouri-Pacific Lines, St. Louis. Mr. Dearmont is a member of the Board of Trustees of Westminister College at Fulton, and of Lindenwood College at St. Charles, Mo.

Securities Salesman's Corner

By JOHN DUTTON

Peak Savings Offer Greatest Marketing Opportunity for Securities Dealers and Salesmen in History.

That's the way it looks to us from here. Here are some of the reasons we feel this way. (Federal Reserve Bulletin, November, 1945.) Bank deposits and currency held by INDIVIDUALS and BUSINESSES expanded by almost 70 BILLION dollars as a result of financing the war and are now more than double the 1941 level. In addition, holdings by these groups of United States Government securities, which may readily be converted into money, have increased an additional 70 billion dollars. There will be further increases as a result of the last Victory Loan. (We are not advocating the sale of governments and the purchase of corporate securities, but this huge total of government securities will add its weight to purchasing power and will eventually show up, partially at least, in the securities markets.)

McFadden Publications, (Nov. 20th issue of "Marketing Memos") further went on to state: Savings in the hands of those with incomes below $2,000 are estimated at 11 BILLIONS, with the group earning between $2,000 and $5,000 annually having about 48 BILLIONS.

Elmo Roper, who conducts the regular "Fortune" survey, made a special survey for the Savings Bank Association of the State of New York in the summer of 1945. Because the sample has been limited to a cross-section of New York State the results cannot be applied to the entire U. S., but they may be taken as fairly representative of a large portion of the country. The people of New York State were asked: "Do you at present happen to have any money in war bonds? In life insurance policies? . . ." and so on through a list of nine forms of savings. The percentage answering "yes" to each item was as follows:

	%
War bonds	84.3
Life insurance policies	74.2
A savings bank	60.3
A checking account	39.8
SECURITIES (STOCKS OR BONDS)	22.3
Pension or saving fund (employer)	16.8
Thrift account in commercial bank	14.3
Savings and loan association	11.3
Employees credit union	4.8
Other savings	5.0

Only 7.9% said they had no savings.

(The foregoing information has been taken from the Inter-Office Memorandum of "This Week Magazine," issue of Dec. 20, 1945.

When we look at this vast backlog of investing power that lies ahead of us, there should be no doubt in the minds of anyone engaged in the securities business regarding the potential volume of business which lies ahead as we look into 1946 and beyond. If further proof is needed of this huge pent-up purchasing and investing power, Federal Reserve statements indicate that liquid assets of individuals in the U. S. rose from $48.4 billion at the end of 1939 to $127.6 billion at the end of 1944. For the last two years individuals in the United States have been saving at the rate of *almost 25% of their income.* The fact referred to before, regarding these savings now resting in the amount of 60% of the total, *in the hands of individuals with incomes of less than $5,000,* means two things. First, the small investor must be taken care of properly. He must have good service and sound advice. This time it is up to the securities industry to help the little fellow to become a better and more successful investor than his father proved to be 20 years ago. History is repeating itself just as it did after the last war, only on a vastly greater scale. All the problems of huge surplus funds in the hands of the public, shortages of goods, reconversion headaches, strikes, unrest, and inflationary potentials, were with us then as they are now. The security dealer cannot halt inflation but he can help to keep people who never knew much about the investment of their savings, from becoming "get rich quick" gamblers overnight.

The second thing that should be apparent, is that there is more need than ever before, for well-trained men in the securities business. There is also a definite need for more small retail dealers, and for more assistance and helpfulness on the part of everyone concerned with the welfare and the future of this country, toward the existing small dealers who are now in business. This means less attempts to strangle the small fellow by cutting mark-ups through coercion and intimidation by governmental and semi-governmental bodies such as the SEC and the NASD. It means that the large investment banking firm, the members of the Exchanges, and the larger houses should assist the small retail firms instead of trying to undercut them and force them out of business. There is a place for the large firm, the medium-sized organization, and the one-man sole proprietorship. They all serve a purpose and a clientele particularly their own.

The way it looks from here there is a big job ahead in the securities business—and plenty of business for all.

A Foreign Reaction to American Full Employment Aims

(Continued from page 3130)

crats, unnecessary bishops and priests and all sorts of budget parasites. From 1924 to 1929, Spain tried the most modern form of "deficit financing." However, it paid a high price: economic and political disruption.

Every country, large and small, knows that any solid and durable raising of the standard of living must be obtained through its own efforts; however, it also knows that the much boasted industrialization sooner or later will hit a deadlock—the narrowness of the domestic market.

How shall the small countries manage to hold prices and reduce costs, if the small turnover cannot pay for scientific research, nor support a reasonable division of labor, nor earn a return for investments indispensable to efficiency?

The Importance of International Trade

The only alternative for the chronic poverty of small countries (full employment on a miserable level or permanent high unemployment) is **international trade.**

Let me quote my country again. Under an effective multilateral trade, we would easily be in a position to pay for $150 and perhaps $200 million of American goods per year and we could use them to normalize the employment basis of over 400,000 agricultural laborers and over 200,000 industrial laborers. The general standard of life would rise and we would be an active factor in the economy of the world.

But we cannot count on permanent American purchases of over $25 million. How shall we pay for the balance? I would not insist on this example if I would not know that the world is full of countries in a similar situation.

The Quest for Import Surpluses

Multilateral trade — insistently recommended by the U. S. A. and everywhere else as the only possible means to stabilize world employment in an atmosphere of progressing prosperity — requires the driving force of import surpluses from rich countries. After the present confused transitory period, where can such surpluses be found?

Under the economic leadership of Great Britain, multilateral trade was vivified by its enormous import surpluses. I am afraid that many people have forgotten this essential fact. From 1901 to 1939, Great Britain had an **import** surplus of £11.6 sterling; during this same period the United States had an **export** surplus of $37.5 billions.

The world is aware of the tragic domestic complications imposed upon the U. S. A. by the economic leadership it has to assume. The tragedy is not that the U. S. A. is very large, very rich and almost self sufficient; it is that U. S. A., being at present the only large and rich country, is almost self sufficient.

America preaches for "free trade," "multilateral agreements," "lowering of trade barriers," "freedom of monetary exchanges," etc., etc. The campaign is doomed to failure. The U. S. A. should read a warning behind the general reluctance to accept the most generous form of financial aid, except for urgent reconstruction work and machinery required to speed industrialization.

In some years, most of the American agricultural products and manufactured goods will not be accepted, even as a gift. Over 5,000,000 American jobs would be endangered. America would then have to give up its export illusions and absorb those jobs in the domestic market . . . or in a "full employment"—fostering inflation. The world, of course, heartily hopes that this will not be the case. It expects that the large American purchases will keep running the mill of international trade and employment. Otherwise, it knows—as American economists and business men do, too—that the foreign investments, short and long, will be a tremendous failure and America will again get tired of them. Santa Claus, after starting off in luxurious apparel, would return in Cinderella's rags.

In debates on "full employment" we are constantly told that prosperity in America is the basis of economic stability and full employment abroad. This half truth does not exhaust the argument; it does not take care of the possible international consequences of American self-sufficiency and high standard of life. American depressions have done and can still do great harm to the world. American prosperity, on the contrary, does not necessarily mean prosperity abroad . . ., a discrepancy that could not last very long because prolonged world misery would destroy—with or without atomic bombs—your splendid prosperity and with it all our hopes for a better life.

Nov. Freight Traffic Off

The volume of freight traffic, handled by Class I railroads in November, 1945, measured in ton-miles of revenue freight, amounted to 50,000,000,000 ton-miles, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. The decrease under November, 1944, was 17.7%.

Revenue ton-miles of service performed by Class I railroads in the first eleven months of 1945 was 6.8% under 1944, and 5% less than the corresponding period two years ago. However, compared with 1939 the 1945 total was slightly more than twice as much.

The following tables summarizes revenue ton-miles for the first eleven months of 1945 and 1944 (000 omitted):

	1945	1944	% Dec.
1st 9 mos.	534,826,036	556,424,186	3.9
Mo. of Oct.	*50,000,000	63,875,263	21.7
Mo. of Nov.	†49,000,000	59,554,815	17.7
Tot. 11 mos.	633,826,036	679,854,264	6.8

*Revised estimate. †Preliminary estimate.

Hytron Radio & Electronics Corp.
Common Stock
Prospectus on request
•
HERRICK, WADDELL & CO., INC.
55 LIBERTY STREET, NEW YORK 5, N. Y.

American Fruit Growers Inc., Com.
Arden Farms Co., Pfd. & Com.
Fullerton Oil Co., Com.
Wagenseller & Durst, Inc.
Members Los Angeles Stock Exchange
626 SO. SPRING ST. TRINITY 5761
LOS ANGELES 14
Teletype: LA 68
Market Quotations and Information on all California Securities

Railroads: Fifty Years Past and to Come

(Continued from page 3137)

ically near. Distance has a new meaning to us. A hundred years ago the next village was a far trip. It was a journey. Fifty years ago the next county or the next State were journeys and made a man a traveler. Today all of us, but especially the youngsters, think of Moscow, Shanghai, Cairo, London, Paris, as near at hand.

We cannot afford to underestimate the revolutionary impact of that point of view. Never before have the people of the world, the millions of ordinary everyday people, felt so surely that travel is a normal, natural thing like breathing. Never before have so many people so readily accepted the notion that necessities and luxuries can and should be brought great distances to the modern consumer. Never before have the world and the people of the world so readily accepted the notion that millions of tons of things can be transported easily, in normal course.

Growing Needs for Transportation

It seems clear that we are in a period of a rising standard of living. Men can produce more goods. The war years have seen an increase in the nation's population of 5%, and the next few years will see an even greater addition. In the period that lies ahead, more goods will be consumed per person, and there will be more people to consume them.

All this means an increase in the volume of transportation. It all adds up to a bright future for the American railroads. Some of the increased peacetime traffic will go to the trucks, and a small amount of high-value cargo will go to the airlines, but the bulk of it will move in freight cars.

Travel, too, should increase with the rising standard of living. The railroads are ready as they have never been in any recent decade to vie for the patronage. The fast streamlined train with reclining chairs, and the "coach-sleeper," which afford the ordinary passenger a chance for a good night's rest with little increase in fare, give the railroads new opportunity to compete with the automobile and the bus.

For years before the war we had listened to taunts that the railroads were overbuilt and that about half the mileage should be scrapped. We had heard these insults so long that even some railroad men were coming to believe them. But between 1941 and 1945 it was pretty clearly shown that we have no excess railroad capacity either for the demands of war or of a fully functioning peacetime economy. The research foundations tell us that in the next ten years five times as much will be spent in improving roadbed and trackage and building multiple tracks as will be sacrificed by the abandonment of lines.

So if I were an even younger man than I am, I would be drawn again to the railroad and locomotive industries. For it seems to me that we—all of us here this evening, and the host of young men who have not yet come to us from the scientific schools—have before us the most exciting of all things—a challenge and an opportunity. It is a field of great spirit and high tradition. A U. S. sergeant-engineer running a little steam locomotive on the line from Teheran toward the Russian border, came very close to defining the true professional feeling of a railroad man when he said: "Many's the time back home on the B. & O. I've seen millionaires look up at me from their limousines with envy in their eyes."

More Transportation Progress Needed

The accomplishments and the traditions of the locomotive and railroad fields justify a certain confidence and cockiness. Yet if I were going to give some advice, which I am not, it would run something like this:

"We haven't made enough progress. We have done amazing things, yes, but let us look upon them only as a beginning, not nearly so stimulating as what is to come after. Certainly we should not think there are no more worlds to conquer. Very far from it."

I want to report a conversation to you, a conversation which until now I have never reported to a soul.

Fifty years ago, slowly rolling out of the erecting shop of the Rogers Locomotive Works, one of Alco's corporate ancestors, came the 376, a high-stepping young lady who was destined to make history on a Mid-Western railroad. She came slowly and humbly; slowly because she was being pulled out by horses and humbly because this was so. Every pound of material that had gone into her making had been hauled by horses nearly a mile from the nearest railroad tracks to the locomotive shop. And now she, like more than *5,000* of her sisters and brothers that had been built in that plant over a period of about 60 years, was to undergo the humiliation of being hauled by horses the same distance to the railroad tracks before she could leap forward under her own power.

Once on the tracks of the railroad that purchased her, she quickly showed her mettle and caused some of the oldtimers to realize their age. She did her job and did it well. She survived one World War, but could not quite see the end of another. Now she has passed on.

After being a main-liner for many years, she realized one day not so long ago that the load was getting to be too much for her. The traffic was too heavy, the intensive work-day too long; so she asked to be shifted to a less arduous task on a branch line. In view of her long and satisfactory record, the management granted her wish. Between assignments she found time for meditation.

I happened on her one day when she was in one of these meditative moods and engaged her in conversation. I told her about the great work that our *modern* motive power was doing, the long-distance, high-speed passenger runs, the new streamliners, the heavy-tonnage freight trains, the great availability of steam, electric and Diesel locomotives, the better utilization, the greater safety and comfort of our passenger trains and, in general, the wonderful records that our railroads were making, and the great contribution to the country's welfare.

She listened to me carefully with an occasional sigh. Then she said:

"Well, I won't be called for an hour and I have time to tell you a few things. First, have you forgotten that many of the early attempts at improvements in the steam locomotive even before *my* time, after being tried out and discarded, have come back in your latest designs?" And she mentioned feedwater heaters in 1859, roller bearings in 1891, combustion chambers in 1860, brick arches in 1880, syphons and reverse gears about the same time, and in her *younger* days even turbo-electric locomotives.

"Now," she went on, "you have talked about the improvements you have made and of your high-speed passenger train record runs. It doesn't seem to me that you have got so much to brag about, considering that these records represent the progress of nearly half a century."

She reminded me of a run made in 1876, from New York to San Francisco, on the Pennsylvania Railroad to Chicago; then over the Chicago and North Western to Council Bluffs; from there to Ogden, Utah, on the Union Pacific, and from Ogden to the Oakland Wharf on the old Central Pacific —a total distance of over 3,313 miles. One little 8-wheeler ran the entire 440 miles from Jersey City to Pittsburgh and another one the 879 miles from Ogden to Oakland Wharf. This train arrived in San Francisco in just one minute less than 84 hours from the time it left New York, and this time included all stops, the one at Chicago taking 31 minutes.

"That was 69 years ago," she reminded me, "when roadbed and equipment were not what they are today. Now let me ask you just how many *through* transcontinental trains the railroads are running today?"

Then Old 376 referred to some fast running in 1898 on the Philadelphia and Reading, between Camden and Atlantic City, a distance of 55½ miles, which called for a start-to-stop time of 50 minutes and which in actual practice was sometimes under-cut by five minutes—an average speed of better than 73 miles an hour! And she spoke of the fastest of all fast runs in 1895 on the Lake Shore & Michigan Southern when a little 17" 10-wheeler ran with its train from Erie to Buffalo 86 miles in 70 minutes, 40 seconds.

Here Old 376 paused for breath. Then, like any other lady, she was ready to resume her story. But at this moment the hostler climbed up in the cab, and she bade me adieu.

After she had pulled out with her local train, I sat down and pondered what she had told me. I confess I felt somewhat deflated. It is true that most steam locomotives in operation today are built on the basic principles of Stephenson's "Rocket." They are still the reciprocating engine with a firetube boiler.

Record of Locomotive Improvement

But this in itself is no condemnation. The test lies in how much we have increased efficiency in applying Stephenson's principles. Here the record is good.

Consider the progress made in only the last 40 years. At the St. Louis Exposition in 1904 the Pennsylvania Railroad built a locomotive testing plant, the most modern of its kind up to that time. Of all the freight locomotives tested the most powerful produced 280 maximum indicated horsepower per axle. Today we have steam locomotives that produce 1,500 horsepower per axle, an increase of more than 400%. The weight per driving axle of that 1904 model was 43,000 pounds, compared to 70,000 pounds for the 1,500 horsepower per axle locomotive, an increase of only 63%.

The maximum evaporation of any locomotive boiler tested at St. Louis was about 20 tons per hour. Today, we have steam locomotives that evaporate 70 tons of water an hour at 300 pounds pressure and 750 degrees temperature.

It is true, as Old 376 stated, that we had a great many special high-speed runs back of the turn of the last century, but we have never had the number of regular scheduled high-speed runs in steam, Diesel and electric that we have had during the past ten years.

During 1942, we had 44 passenger schedules in this country running between points from 50 to 202 miles apart at speeds of 70 to 84 miles per hour. Locomotives, steam, electric and Diesel, have all reached or exceeded speeds of 120 miles per hour. There is no question but that motive power units are available that can maintain any speeds that are considered safe from the standpoint of signals, roadbed and curvature of track.

But speed means power and power costs money. A modern air-conditioned 1,000-ton passenger train traveling on a fairly level road at 70 miles per hour requires about 1,850 horsepower at the drawbar. To maintain a speed of 80 miles per hour for that same train on the same track requires an additional 500 horsepower. At 90 miles an hour a further addition of 550 horsepower must be furnished. One hundred miles an hour requires twice the power needed at 70. But speed requirements in freight operations can be met with ease, as far as locomotive power is concerned. In passenger service, the railroads obviously will pitch their battle with the airlines on other grounds than speed.

The Future Prospects

I have said that the best decades for the railroads lie ahead, and you may ask me what type of locomotives will pull those heavy trains. To me it seems that the future holds an expanding role for both the steam locomotive and the Diesel. More electric locomotives will be used also, but they will be confined chiefly to areas of congested traffic.

At the moment the trend toward the Diesel is strong. The past year, 1944, saw the Diesel for the first time forge ahead of the steam locomotive in orders for road engines. In the switch-engine classification, of course, it has been leading for years. In 1944 the American railroads ordered 426 Diesel switchers, and not one steam switcher.

The Diesel has won its place alongside the steam locomotive the hard way, by sound service on the road and by constant improvement on the drafting boards and in the experimental models. There are Diesel engines in stationary service—and not old ones at that—where weight per horsepower is over 300 pounds and the rotative speed 100 revolutions per minute. Contrast this with the comparable figures for Diesel engines in locomotive units today. We have the weight per horsepower down to 18 pounds and the rotative speed up to 1,000 revolutions. Then remember that we are looking forward to still lighter weight, higher rotative speeds, higher mean effective pressures, and greater output per cubic inch of cylinder volume.

While the Diesel has been stepping out, however, the steam locomotive has not been standing still. I need merely mention the use of stokers, poppet valves, unit castings for bed frames of both tenders and locomotives; high-temperature superheating, feedwater heating, the use of roller bearings; the dividing of power into two systems with two cylinders each, and the replacement of the riveted with the welded boiler.

Under the spur of competition, the steam locomotive is reaching new records of availability. During the past few months, one locomotive of the conventional reciprocating type made 26,928 miles in passenger service in one month and followed the next month with the same daily average. Steam still has the advantage of much lower initial cost than the Diesel, and this advantage can be heightened whenever the railroads see their way to accepting the same degree of standardization in the steam locomotive that they have accepted in the Diesel.

Steam engineers are justly proud of the technical refinements and increased efficiency they are building into the reciprocating steam locomotive, but they are far from resting their case there. They are pushing toward the perfection of a coal-burning locomotive propelled by a steam turbine geared directly to the driving wheels or used to power an electric drive.

Experiments with the steam turbine for rail power began nearly 40 years ago in Europe, where the high cost of fuel makes the low thermal efficiency of the reciprocating engine a greater [illegible] than it is in this country. As long ago as 1908 a company in Scotland built a steam-turbine locomotive with an electric drive, but it got little further than the testing stage. Neither did another Scotch model of the same general type built in 1922. Sweden and Germany tried their hands at direct-drive, steam-turbine condensing locomotives and built one model that used 40% less coal than the reciprocating locomotive. But availability was lower and first cost and maintenance were higher; the net advantage still lay with the reciprocating engine.

The Steam Turbine Locomotive

Just before the outbreak of the war, this country took the initiative with the steam-turbine locomotive. In 1938 a condensing steam-turbine locomotive with an electric drive was completed and tested out in service. Equipped with a high pressure watertube boiler and generating 5,000 horsepower, it undoubtedly showed the highest thermal efficiency of any turbo-electric locomotive ever built. But availability was too low to permit its continued operation.

Now other turbo-electric locomotives are on their way. One, designed to burn pulverized coal, is to be equipped with a non-condensing watertube boiler with a working pressure of approximately 600 pounds.

One of the great coal-carrying railroads has placed an order for three coal-burning steam turbo-electric locomotives with a stoker-fired, non-condensing conventional boiler operating at 310 pounds pressure.

A locomotive with a steam turbine geared directly to the driving wheels was placed in service early in the present year, but test figures are not yet available. This model, like the one I have just mentioned, has a conventional type boiler with a working pressure of 310 pounds and is non-condensing. In the various models, enough progress has been made to indicate that the American turbine-driven locomotive is some form or other will be a success.

Recent technological improvements in materials, design and manufacture promise as much. And there is still another good reason for having faith in the continued evolution of the coalburning locomotive. About 22% of the total freight tonnage of American railroads consists of coal, and the railroads—particularly those operating to and from the coal fields —are anxious to give their best customer a break.

Even newer in principle than the steam-turbine locomotive is one propelled by a gas turbine—simply a geared turbine revolved by hot gases. The coal-burning railroads of this country are exploring the possibility of burning pulverized coal in a gas turbine locomotive.

The only gas-turbine locomotive in use in the world today, however, burns oil. This locomotive, of 2,000 horsepower, runs on the Federal Railways of Switzerland. Its thermal efficiency is only about half that of the Diesel, but its builders claim it can operate on crude oil, which would make its fuel cost about the same as that of a Diesel of the same power.

Finally, beyond all these experimental forms of power now being tried out, we stand—terrified, but committed and a little hopeful—on the brink of the atomic age. Just as resourceful and inventive men have found ways to harness steam, electricity and gas, they eventually will find ways to harness atomic energy. And when this happens it will profoundly affect the type of power used in transportation and in all forms of industry.

Meanwhile it is our task to develop to the utmost the sources of power that we have and to use the particular type that is most economic for the job to be done. *This we can do and will.*

American Railroads Revitalized

So such for the outdook for railway locomotive power. In conclusion I return to the theme that I voices at the outset—the war has revitalized the American railroads. Let us compare 1918 with 1943. In 1918, at the peak of World War I, our railways had a total inventory of more than 63,000 locomotives with an aggregate tractive power of more than two billion pounds. And 57% of this inventory was in locomotives ten years old or less. In 1943 we had an inventory of only 42,000 locomotives, having an aggregate tractive power about the same as in 1918 but with only 5½% of the locomotives less than 14 years old.

With this aged inventory the railroads had a war job to do. How well did they do it with these handicaps? In this war the railroads of this country handled 97% of all troops. 93% of all Army equipment and supplies; 90% of all Navy equipment and supplies, and in the first 40 months of this war troop movements by rail were four times as great as in World War I. The increase in ton-miles was 82%; in passenger miles 124%; the average freight train load increased 67%, and the average miles per car day 99%.

And these records were achieved with 23% fewer employes, 33% fewer locomotives by number, 24% fewer freight cars, 30% fewer passenger cars—and in the 10-year period ending in 1944 there was only one passenger fatality for every 700,000,000 miles of service performed.

Under Government operation in World War I the railroads wound up with a deficit of just under two billion dollars. During World War II, with private operation, the railroads paid into the Federal Treasury four and a quarter billion dollars in taxes—exclusive of the payroll levy—and still earned net profits of almost three billion dollars.

These figures speak for themselves. The railroads did a stupendous job. And the best thing is that the public realizes this fact. A survey made in 1941, and quite recently repeated, indicates that only a little more than half the American people thought the railroads did a good job in *preparation* for the war in 1941. But 89% of the public think the railroads did a good job **during** the war.

Yet the railroads cannot and will not stand on these accomplishments and this recognition. Airplane and truck competition are back in full force. Both types of competition are ambitious and dynamic. Railroad travel and transportation have their own special values and potentialities, but they must be exploited.

For one thing we must appeal to the youth of today, who are the traveling public and the shippers of freight tomorrow. We must increase the number of young people in our own ranks—and give them a chance to do some constructive thinking and make the forward-ranging suggestions that come to young minds.

I, for one, have no doubt that the railroads—and their suppliers—will meet the challenge and the opportunity of postwar mass transportation. *I confidently predict that in the ten years following the war the American railroads will handle the greatest volume of passenger as well as freight traffic they have hauled in any peacetime decade in history.*

It has been my pleasure to work for 50 years in helping build this great transportation machine. As long as I live, I shall watch with absorbing and *affectionate* interest as the job of building it and rebuilding it, and using it ever more efficiently in the satisfaction of human wants, goes on.

British Reaction to American Loan

(Continued from first page)

to be the smaller of the two evils. The Agreement is so unpopular that, had it not been for the skillfully devised Parliamentary strategy with the aid of which it was rushed through in 2½ days, it would never have been passed. As it was, most Members had no time to study its details properly, and since they did not feel capable of forming an opinion of their own they gave the Government the benefit of the doubt. They did so after much hesitation, many of them changing sides several times during the debate. Had the Conservative leaders come out strongly against the loan, in accordance with the wishes of the majority of their followers, and had they not antagonized their Labor opponents by stating that the harshness of the terms was due to a Labor Government being in office, it seems certain that the majority in favor of the loan would have been very small.

The attitude of the Conservatives can best be characterized by the concluding sentence of Mr. Boothby's speech, in which he accused the Government of having "sold the Empire for a packet of cigarettes"—a remark which, it is thought, will be taught in schools even in a thousand years' time. The abandonment of the commercial links within the Empire is strongly resented by Conservatives, and also by many Socialists who, during their brief period of rule, have become distinctly Empire-conscious.

Fear Interference With Economic Planning

The main reason why some two dozen Socialists voted against their Government is not, however, the effect of the Agreement on the Empire, but the fear that the terms agreed upon will gravely interfere with economic planning in Britain, and will completely upset the Government's plan to establish a Socialist State. On the other hand, the majority of Labor Members who voted for the plan did so because they believed that reduction of food rations and delay in reconstruction through lack of dollars would handicap the execution of the Socialist program even more that the system of free trade imposed on the country against its wish.

The number of those who welcomed multilateral free trade for its own sake was negligible. Even the Chairman of the diminutive Liberal Party, Mr. Clement Davies, was far from happy about giving up regional and bilateral pacts as a means of safeguarding the country's trade balance, in return for a loan which barely suffices to cover one year's trade deficit. The Government was particularly criticised for agreeing to reduce the transition period under the Bretton Woods Agreement from five years to one year. If the proceeds of the loan will be spent by the time the convertibility of sterling is restored, the problem of how to defend sterling is expected to be most difficult to solve.

The Free Trade Policy

Many Socialists strongly criticise the Government for the way in which it was over-persuaded by Lord Keynes to adopt a policy of free trade. Although the Socialist economists produced by the London School of Economics firmly uphold 19th century free trade traditions — these Socialists are sometimes referred to as "side-whiskered Gladstonian Liberals" or "Cobdenites in disguise"—the majority agrees with the Lord President of the Council, Mr. Herbert Morrison, who at a recent Party Conference declared that "free trade is not Socialism; it is the negation of Socialism."

One of the remarkable moments of the debate was the frigid silence with which the House received the high compliments paid to the British negotiators by the Chancellor of the Exchequer in his opening speech. There was one solitary Member who cheered: he was Mr. Dalton's own Parliamentary Private Secretary. It is widely felt that if only Lord Keynes used his persuasive power half as effectively in dealing with the American negotiators as he did in bringing the Government round to his point of view, Britain might have got a tolerably good agreement. As it is, the result of his work will be, according to many people, the coversion of Brtain into the 49th State—without the rights attached to that status. "If we did become the 49th State," one of the bitter critics exclaimed in private conversation, "we could send two Senators to Washington who would at any rate represent British interests."

Not a Tonic to Stimulate British Efforts

A by no means inconsiderable section of Parliamentary opinion, while unwilling to assume responsibility for the rejection of the Agreement, would be overjoyed if Congress rejected it. The view is held that in that case the Washington Administration would have no objection to the raising of dollar loans from private interests on commercial terms, and that instead of a spectacular transaction there would be many smaller transactions reaching an impressive total. What is considered even more important, rejection of the Agreement would give the British people a much-needed tonic to stimulate its economic effort, and would induce the Empire to rally round the mother-country and assist it with all the resources at their disposal.

Opinion in the country is as sharply divided as in Westminster. Those concerned with the supply of food and cigarettes in the immediate future are all for accepting the dollars at no matter what sacrifices. But others feel it would be well worth while to tighten our belts for a while and work out our own salvation eventually. However, most people will be greatly relieved if the matter was settled, so that we could know how we stand. Critics are inclined to hold their fire, now that the House of Commons has passed the Agreement, until its anticipated disastrous consequences begin to show themselves after the proceeds have been spent.

House of Lords Debate

The House of Lord debate on the Loan Agreement brought some additional information concerning the negotiations. Both Lord Pethick-Lawrence, who opened the debate for the Government, and Lord Keynes himself, admitted that it would have been possible to obtain a smaller loan on slightly more expensive terms but without any conditions attached to it, beyond the necessity of spending the proceeds in the United States. This information was withheld from the Housce of Commons, notwithstanding pressing questions by Members of Parliament. And since the Government's case rested mainly on the claim that there was no alternative to the agreement accepted, the chances are that, had the possibility of a commercial loan been admitted, many more Members on both sides of the House would have voted against the Government. It was considered safe, however, to admit the truth in the House of Lords, since it was obvious that the Conservative Peers would not date to risk a constitutional crisis by coming into conflict with the House of Commons over this issue.

This is one of the reasons why the Loan debates has left behind a widespread feeling of bitter resentment. The defeated opponents feel that the aim of the "indecent haste"—to quote Mr. Churchill's words—with which the Government rushed through the highly important and complicated measures was to give no time for Members to study the documents sufficiently. Indeed, on more than one occasion the answers given by Government spokesmen evidently relied on the impossibility for critics to master the immense mass of technical details in such a short time.

But the majority of the victorious supporters of the Agreement is not much happier than their defeated opponents. In many instances the Government's assurances were accepted merely because the alternative to pretending to be satisfied would have been to vote against the Loan. This is particularly the case of many Conservatives in both Houses of Parliament, who refrained from voting against the Loan, owing to the assurances that the Government is not committed to the elimination of Imperial Preference. Most of them are vaguely aware that Congress would never ratify the Agreement unless and until the Government did commit itself in that respect, whether or not adequate compensation will be forthcoming in the form of a reduction of the American tariff wall.

Is It An "Economic Munich"?

A feature of the controversy over the Loan is the parallel drawn, consciously or otherwise, with the Munich surrender in 1938. Mr. Boothby actually called the Agreement "an economic Munich." The line adopted by several supporters of the loan was that the terms, harsh as they were, had to be accepted, in order to gain time for the recovery of our industrial productive capacity—which again sounded very much like the defense put up by apologists of Munich: that the surrender gained for us a brething space during which to rearm. The way in which Lord Keynes and, to a less extent, other Government spokesmen, tried to make virtue of necessity by claiming that the free trade system to be established would introduce a new era of collaboration and international goodwill was considered in many quarters to be strongly reminiscent of Mr. Chamberlain's enthusiasm, with which he declared on his return from Munich: "This is peace in our time!" And, finally, just as many critics of Mr. Chamberlain resented his enthusiasm over a disadvantageous and humiliating bargain, so some of the leading critics of the Washington Agreement, including Mr. Churchill, stated that the Government's case would have commanded more sympathy if instead of "welcoming" the deal the Government spokesmen had presented it as an unmitigated but necesary evil.

A Breakdown Expected

The overwhelming majority of the opponents of the scheme are fully as keen on close collaboration with the United States as the supporters of the scheme. That in spite of this they took a line that risked antagonizing American opinion was due, not so much to the view that the price paid for that collaboration was too high and one-sided, as to the fear that the sacrifices involved would not buy "peace in our time," any more than did the Munich surrender. For, practically everybody, from Ministers downward, is firmly convinced that the system will not work for any length of time, and that it is doomed to break down owing to the unwillingness of the United States to accept an import surplus. Indeed, many opponents within the Government acquiesced on the assumption that, since the breakdown of the system is only a question of time, it would be possible sooner or later to revert to the system of bilateral and regional agreements once it has become evident that the multilateral system could not be worked. Those who have Anglo-American friendship at heart fear, however, that Britain in that case would be accused of bad faith, even if the breakdown of the system is obviously due to the unwillingness of the United States to import on a sufficient scale, or to moderate her export drive. It is felt that the friction that might have arisen if the American proposals had been refused now would have positively mild in comparison with the bitter feeling that will arise when, under the force of circumstances, Britain will revert to the system discarded in return for the temporary assistance afforded by the loan. And even though it is believed that the economic peace bought in Washington in 1945 will last longer than the political peace bought in Munich in 1938, few people give it much more than two or three years. For it is expected that the premature restoration of the convertibility of sterling, together with the loss of export markets and admission of indiscriminate imports resulting from the Washington Agreement, will exhaust the proceeds of the loan in less than two years. And then we shall enter the danger zone. By that time the post-war boom will be over, and Britain will have to face the effects of a slump in the United States without any means of defending her balance of payments other than orthodox deflation—which is politically impossible to apply to any large extent. The only question is, with what degree of deflation and unemployment will the Labor Government put up before declaring the situation intolerable and claiming that the Washington Agreement has reduced itself to absurdity. Neither the Government nor Parliament nor the British public consider themselves morally bound to sacrifice their prosperity for the sake of carrying out an agreement "accepted under duress," as was openly claimed during the debate. They will put up with a great deal for the sake of American friendship. But a stage is expected to be reached sooner or later when considerations of internal policy and economy will prevail.

Results of Election of Directors of St. Louis Federal Reserve

The results of the election of directors of the Federal Reserve Bank of St. Louis, which ended Dec. 18, were as follows, it was announced by William T. Nardin, Chairman of the Board:

"A. Wessel Shapleigh, President of Shapleigh Hardware Co., St. Louis, was reelected by member banks in Group 1 as a Class B director;

"Phil E. Chappell, President of Planters Bank & Trust Co., Hopkinsville, Ky., was elected by member banks in Group 2 as a Class A director, and

"K. August Engel, President of the Arkansas Democrat Co., Little Rock, Ark., was elected by the Group 2 banks as a Class B director."

Mr. Shapleigh and Mr. Chappell were chosen for terms of three years beginning Jan. 1, 1946, and Mr. Engel was elected for the unexpired portion of term ending Dec. 31, 1946.

The Federal Reserve Bank has nine directors, of whom three are Class A, three Class B, and three Class C. Those of the first two classes are elected by the member banks. The Class A directors represent banking, and the Class B directors, commerce, agriculture, or some other industrial pursuit. The Class C directors are designated by the Board of Governors in Washington.

Municipal News and Notes

While the close of the Victory loan was the signal for the resumption of large-scale corporate undertakings, it also marked the beginning of a substantial boom in the new issue municipal field, which has continued to date and very likely will prevail for some weeks to come.

Indeed, it is quite possible that a real "bull" market in the new financing department is now under way, with the prospect that the supply of offerings throughout the coming year will be pretty much in line with the rather general belief that 1946 will witness an uninterrupted flow of bond issues from all sections of the country.

In any event, there is no question that the output in the past several weeks has been such as to enliven the market to a degree that has not been in evidence for many months. Of perhaps greater significance is the fact that the large outpouring of bonds has been accompanied by an increasing upward trend of the price level.

This development, it may be added, unquestionably has come as a distinct surprise to many dealers, not to mention investors, as the opinion has been rather widespread that the price structure is bound to sag in direct proportion to the stepping up in the volume of issues reaching the market.

That a firming tendency, rather than a reaction, has been a by-product of the large volume of business negotiated in recent weeks is clearly seen in the terms received by borrowers, also in the degree of success achieved by underwriters in distributing their purchases among investors. With few exceptions, and despite the large amount of bonds involved in each instance, or the overall magnitude of the grand total, the various offerings have received a commendable response from investment interests.

It may be of interest to review the results of the particular offerings which have contributed so importantly to the market activity in recent weeks. The period got off to a flying start on Dec. 11, with the principal performers being the State of California, the City of Tulsa and Tulsa County, Okla.

The California issue, comprising $15,000,000 1¼% veterans' aid bonds, maturing from 1947 to 1964 incl., was sold at public auction to a First National Bank of Chicago syndicate at a price of 102.79. Naturally, a number of syndicates were identified at the auction, with an account headed by Halsey, Stuart & Co., finally withdrawing after the bidding had reached a level of 102.78.

The First National Bank of Chicago and associated underwriters re-offered the bonds at prices to yield from 0.40% to 1%, and succeeded in placing about half of the issue in a single day. The bonds are part of an authorized issue of $30,000,000 and marked California's entrance in the new capital market after a protracted absence.

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The City of Tulsa financing involved a total of $7,000,000 bonds, of which $6,400,000 were taken by a syndicate managed by the Northern Trust Co., Chicago. The account bought $6,000,000 limited access facilities and water works improvement bonds, due from 1949 to 1966 inclusive, as 3s and 1.10s, for a net interest cost of 1.207% and $400,000 sewer extension bonds, due 1944-1966, also as 3s and 1.10s, and at a net cost of 1.206%. The re-offering was from 0.65% to 1.25%, depending on coupon rate and date of maturity.

The remaining $600,000 bonds offered by the city were taken by Halsey, Stuart & Co., and others, which bid various prices and interest rates on the five issues adding up to the foregoing total. The overall maturity dates are from 1949 to 1961.

A Halsey, Stuart group purchased the $2,750,000 bonds sold by Tulsa County, naming interest rates of 1¼% and 1% on the respective issues of $1,750,000 road and bridge, and $1,000,000 county separate school. Each loan is due serially from 1949 to 1966 inclusive, and the county effected the financing at a net cost of about 1.18%. The group re-offered the 1¼s, maturing from 1949 to 1963 incl., to yield from 0.65% to 1.20%, and priced the 1s, due 1964-1966, at 96.75. The account was rapidly closed.

The West Virginia Sale

On Wednesday, Dec. 18, interest was centered on the portfolio sales conducted by the State of New York and the Massachusetts Mutual Life Insurance Co., and the new issue sale of $1,000,000 road bonds by the State of West Virginia. The latter was of particular interest as it provided a striking illustration of the changed market trend since V-J day.

Thus we find that while the State was able to dispose of that issue at a net cost of only 1.051% to a Chase Bank syndicate, the best price obtainable for an identical issue (maturity 1946-1970 in each instance) at the previous sale on Aug. 21 was based on a net cost of 1.261%. In April, 1945, the State disposed of $2,000,000 bonds of 1946-1970 at the record low net basis of 0.904%, the previous low of 1.05 having been obtained at a sale conducted in January. It should be pointed out that the successful bidders for the current issue did not exercise an option to purchase an additional $1,000,000 bonds on the same terms.

The State, it may be added, was prevented from securing even better terms on the latest emission as a result of weather interference with telegraphic communications. Because of this fact, an offer by Shields & Co., and associates, based on a net cost of 1.0423%, was not received until after the hour set for consideration of bids. A similar mishap occurred in the case of the sale of $500,000 Prince George's County Metropolitan District, Md., bonds, maturing from 1946 to 1970 inclusive. In this instance the bonds were sold as 1½s, at 100.166, although the two bids delayed in transit offered terms of 100.0799 for 1.30s, and 100.1576 for 1⅜s.

The earlier week's activity was climaxed by the sale of $1,055,000 City of Stamford, Conn., bonds to a syndicate headed by Harriman Ripley & Co., Inc. The bonds, due serially from 1946 to 1965 inclusive, were sold as 1s, at a price of 100.64, and re-offered from a yield of 0.40% to a dollar price of 100.50. The issue was speedily absorbed by investors.

* * *

Repeat Performance

The week ending Dec. 22 was nothing less than a repetition of the high-level activity that characterized the earlier period, as is seen in the following review of the principal awards:

The $2,500,000 bonds of **Stockton Unified School District** which were sold by **San Joaquin County, Calif.,** on Dec. 17 were awarded to a group headed by the **Chase National Bank of New York,** which bid par for a combination of $660,000 1s, due 1946 to 1948, and $1,840,000 0.75s, maturing from 1948 to 1955 inclusive. Net interest cost to issuer was 0.951%.

City of Stockton, Calif., issue of $1,750,000 sewer system bonds went to the **Stockton Savings & Loan Bank,** which bid 100.027 for $350,000 0.50s, due 1946 and 1947; $525,000 0.75s, due 1948 to 1950, and $875,000 1s, maturing from 1951 to 1955 inclusive. Bid figured out to a net interest cost of 0.914%.

A syndicate headed by the **First National Bank of Chicago** won the $15,432,000 of **Oakland School Districts** bonds offered for sale by **Alameda County, Calif.,** paying a price of 100.16 for the bonds as 3s, 1s, and 1¼s, making a net interest cost of 1.212%. The bonds mature serially from 1947 to 1970 inclusive, and the successful bid proved just a shade better than the runnerup offer entered by the **Harris Trust & Savings Bank of Chicago** syndicate. This group's tender figured out to a net cost to the issuer of 1.226%.

The **State of Louisiana** issue of $2,900,000 highways, maturing 1947 to 1964 inclusive, also encouraged sharp competition, with the successful account of **Halsey, Stuart & Co.,** taking the bonds at a net cost of 1.469% to the State as against a net cost of 1.488% contained in the second high tender, sponsored by a group headed by the **Equitable Securities Corp.**

Mellon Securities Corp., Pittsburgh, and associates emerged as winner of the $2,840,000 **Richmond, Va.,** improvement issue, paying 100.951 for 1s, a net interest cost of 0.88%. The bonds mature serially from 1947 to 1966 inclusive and an account headed by **Estabrook & Co., of New York,** was second high bidder, offering 100.729 for 1s.

The **Elyria, Ohio,** bonds in the amount of $1,325,000 were bought by a group managed by **Stranahan, Harris & Co., Toledo,** taking $1,175,000 water works improvement, due 1947 to 1976, and optional in 1956, as 1¼s, at 100.634, a 1.18% basis, and $150,000 limited tax sewer bonds, due 1947 to 1956, as 1s, at 100.291, a basis of about 0.95%.

* * *

Coming now to the present week, we find that virtually all of the main business is scheduled for today (Thursday), when Alexandria, Va., will open bids on an issue of $1,500,000; San Antonio Independent School District, Texas, on an offering of $2,186,000, and Galveston, Texas, will award an issue of $1,368,000.

Closing the Books

These three substantial undertakings will ring down the curtain for 1945, a year which was replete with both thrills and tremors for the municipal trade.

Probably the event of greatest significance was the momentous victory achieved by those who have consistently resisted attempts of the Federal government to eliminate the tax-exempt feature of local government obligations.

This latest, and perhaps most conclusive defeat suffered by the government, came in the form of the refusal of the United States Supreme Court, on Jan. 2, to consider decisions of lower courts which held that bonds of both the Port of New York Authority and the Triborough Bridge Authority were entitled to immunity from Federal taxation.

As the questions raised in the litigation were such as to cover the infinitely broader question involving the constitutional tax-exempt status of all State and municipal bonds, the court's refusal to take jurisdiction in the matter was interpreted as signifying its opinion that such immunity was mandated by the constitution and could not be disturbed via other than an amendment thereto.

Also highlighting the municipal market of 1945 was the record high price level attained in May and the precipitate decline that developed coincident with V-J day. The bulk of the loss (about 30 basis points) was of temporary duration and, at this writing, prices are pretty close to the peak levels established earlier in the year.

Whether the standings will be adversely affected should the expected mounting supply of bonds materialize in the coming year is a question that undoubtedly still dominates conversation in trade circles. This much is evident, namely that the new year will usher in a rather substantial flow of offerings.

The calendar of impending events already lists the following actual and potential deals: $3,025,000 Minneapolis, Minn., and $3,216,000 by Commonwealth of Massachusetts, both on Jan. 3; $1,900,000 Franklin County, Ohio, Jan. 4; $3,976,000 Oklahoma City, Okla., Jan. 8; $2,350,000 Oklahoma County, Okla., and $1,500,000 Oklahoma City School District, Okla., both tentatively scheduled for Jan. 8; $3,000,000 Allentown School District, Pa., and $9,000,000 San Francisco, Calif., both on Jan. 9.

It will thus be observed that the opening month of 1946 promises to be an extremely busy period in the local tax-exempt field and may well be the forerunner of the most active year since the war.

Mosher Attacks President's Wage-Earnings Policy

(Continued from page 3137)

cease to be that constant creation and growth of new and small enterprises which is essential to progress and the provision of jobs for all who want to work.

The traditional policy in this country has been to base wages upon ability to pay as measured by productivity. Under that system wages have quadrupled during the past 50 years and the hours of work have been reduced by a third. This record of progress can and should be continued, but it will be stopped dead in its tracks if President Truman's formula is adopted as the national wage policy of this nation.

In addressing the National Association of Cost Accountants at Providence, R. I., on Dec. 13, Mr. Mosher fired a blast at the statistical reports issued by the Department of Commerce, which upheld the contention that a general wage increase could be granted without affecting prices. Public confidence in government is being badly shaken by this "statistical folderol," Mr. Mosher contended.

Two documents—"Facts Relating to Wage-Price Policy," and a "confidential" memorandum "Domestic Economic Development," prepared by the Department of Commerce, particularly drew Mr. Mosher's censure.

"These two documents were allowed to 'leak out' in a most unusual fashion when the wage question got hot," Mr. Mosher said. "The general assumption of both is that industry can pay liberal wage increases, from 10 to 25%, without raising prices. The government economists who conjured up these startling formulas made liberal use of conjectural phrases about probable sales, assumptions, hopes, expectations—in fact, everything a statistical document should not be."

Expressing astonishment that the Business Advisory Council to the Department of Commerce had "either passed on this foul formula" or "gave tacit approval to such an important matter by their silence," Mr. Mosher said "these government forecasters deal with direct wage increases in their estimates, and ignore the pyramiding effects which are bound to occur eventually throughout industry.

"The confidence of the public in the government is badly shaken by such statistical folderol," Mr. Mosher stated. "Our government's veracity and statistical dependability must be such as to be used with confidence that they're not loaded to prove anybody's case.

"It seems to me that management, labor and the general public has an explanation coming to them of this high and handsome misuse of the prestige of government. I honestly believe that high violence is being done to our business system by the promiscuous and fallacious insistence that wages should be raised to help the purchasing power."

Speaking subsequently to the Bridgeport Manufacturers Association on Dec. 19, Mr. Mosher reiterated his warning that the Department of Commerce will lose the respect of business if it keeps producing "conjectural jingoism" to support CIO wage demands, Mr. Mosher again denounced the two governmental documents recently used by supporters of the CIO position. The documents of the Commerce Department he said were allowed to "leak out" when the wage question grew hot.

"The general assumption of both documents is that wage increases of 10 to 25% can be granted without price rises," Mr. Mosher said. "These startling formulas were fabricated by use of conjectural jingoism worthy of a top-flight bucket shop operator of the twenties."

Stating that unions refused to consider "take-home" as a measure of pay when the war upset normal economic relationships, Mr. Mosher declared that now, with the war over, labor leaders no longer want to base wage scales on the cost of living but on "take-home" pay.

"In every instance, the government, or certain CIO-dominated and infiltrated parts of it, has backed up the union claims," Mr. Mosher added. "Even the figures of take-home pay don't follow the Bureau of Labor Statistics' own figures. This country never did work a 48-hour week. And what's more important, it will be a long time before it goes to a 40-hour week."

The Labor-Management Conference in Washington was no flop, although it failed to achieve agreement on many pressing problems of union-employer relations, Mr. Mosher said. The record leaves the door open for further progress, he explained.

"Each side attained a far better understanding of the nature of the problems and of the reasons for the other side's positions," he said. "For 26 days, labor and management representatives discussed the issues with tolerance and respect that some might consider phenomenal.

"In brief, the position of the

Full Production and Sound Fiscal Policy Can Prevent Inflation

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which they would buy Government Bills, and there have been other rates, less well defined, at which they have in fact been buying Government Certificates of Indebtedness. The chief reason why this technique has been so important is that these buying rates, involving yields of from ⅜% to ⅞%, have made it possible for the commercial banks, acting on their own initiative in the sale of Bills and Certificates, to create their own reserves at the Federal Reserve Banks, largely without recourse to borrowing, and thus, as a whole, to maintain their supplies of reserve balances at all times greater than their reserve requirements.

All through the war, then, we have had the Federal Reserve Banks buying Bills and Certificates, thereby maintaining in existence a supply of reserve balances more than adequate to meet the commercial bank requirements for these reserves. Furthermore, in an attempt to improve the yield on their assets, we have had the commercial banks buying other Government securities of somewhat higher yield and longer term than the 90 day Bills or the one year Certificates of Indebtedness, and thus creating supplies of commercial bank deposits at least adequate to meet the Government's and the public's rapidly increasing requirements for cash. This process has, of course, led to an expansion of the whole monetary and banking system, but, as a result, the supplies of reserve balances in the hands of the commercial banks and of deposits in the hands of the public have at least kept pace with wartime demands, and interest rates have tended to decline rather than to rise.

The Interest Rate Problem

The pros and cons of a low or lower money rate policy are far too intricate for a full discussion here. It should be pointed out, however, that the technique described above, so effectively used in this country during World War II for keeping interest rates low, was adopted as a war measure. If, in spite of the Government's tremendous wartime borrowings, this technique has actually had the effect of causing interest rates to decline, then surely the technique should be most carefully reexamined before it is applied to the presumably more moderate money requirements of peace. Of course, there are some writers and speakers on the subject of interest rates who agree with the extremist view of the British economist, Sir William Beveridge, that a slow decline to a zero interest rate would be desirable. As opposed to this, however, there is a considerable weight of thoughtful opinion in this country which takes the position that an excessively low and declining interest rate, besides crippling endowed institutions and reducing the "nest egg incomes" of millions of individuals, will tend to discourage future savings, will thereby slow up capital formation, hinder technological improvements, impede economic progress, and may eventually lead to unrestrained spending and a runaway inflation. How this question will be answered and, in particular, what will be done with the Government's new found technique for controlling interest rates cannot now be foreseen. However, for what the remark may be worth, we can probably say that, as a group, those who want interest rates to decline are more vocal in the presentation of their arguments than are those who feel that savings are entitled to a reasonable interest return.

The Inflation Threat

There is another phase of the Government's wartime financial operations which is viewed by many people as constituting a threat to future economic stability. Dissatisfaction has been widely expressed with the fact that the Government's method of financing the war has led to so rapid an expansion of the monetary and banking system. Some 40% of the Government's increase in debt has found its way into either the Federal Reserve Banks or the commercial banks. And this rise in bank assets has, of course, been largely balanced among the liabilities of these institutions either by currency or commercial bank deposits. For example, in the six years from June 30, 1939 to June 30, 1945, while the Government's entire debt expanded $213 billion, the Government securities held as assets by the Federal Reserve Banks and the commercial banks increased $87 billion and the public's total money supply of commercial bank deposits and currency, represented, for the most part, by the liabilities of these banking institutions, increased $73 billion (152%) to a total of $121 billion by the middle of 1945.

It is this repid expansion of our monetary and banking system that has been rather generally deplored both in and out of Government circles. It has been thought to be dangerously inflationary in that it constituted, perhaps, a dilution of the value of the individual monetary unit, the dollar. It seems possible, however, that the inflationary aspects of this situation may have been over-emphasized. After all, money is the vehicle by which nearly all goods and services are passed from hand to hand on the national production line. Therefore, as the economy of the country expands, the money supply (currency and commercial bank deposits) should, it seems, very properly expand with it. We have already seen that from before the war to early in 1945 there was an expansion in industrial production, wages and salaries, farm income from marketings, and the gross national product of anywhere from 111% to 151%. Under the circumstances, the 152% expansion of the money supply would not seem to have done much more than to keep pace with the wartime growth of other major economic factors, nor would it seem to have involved, per se, any very serious dilution of the monetary and banking system.

This thought is particularly interesting in that the wartime rise in the cost of living appears to be very adequately explained, from a statistical viewpoint, solely by the increase in the overall cost of production that we have witnessed during the war years. Consequently, we do not have to involve ourselves in the quantity theory of money in order to understand how it is that, by the middle of 1945 at the cessation of hostilities, our dollar had suffered a material loss of purchasing power.

It is hoped that the foreging remarks constitute a reasonably clear presentation of the war-boom conditions that existed in the United States during the first half of 1945. Then, on May 8, Germany collapsed; four months lated, on Sept. 2, Japan surrendered unconditionally. Thus, the much talked of reconversion period was upon us before we realized it and the very thoroughness of the defeat of our enemies made possible a more rapid demilitarization than most of us had thought possible.

Here was the turning point the country had so long awaited. The great economic question was, were we in for a post-war boom and inflation as predicted by one school of thought, or was the curtailment of Government spending to bring about a serious depression as predicted by another school. It appears to this writer that neither of these two extremes was a likely contingency. I had felt, and I still feel, that if a civilian buying spree develops, its effects should be tempered by the tremendous reserves of productive capacity that are being released by a reduction in the Government's war effort. Or, if the Government's withdrawal as customer for half of the nation's output should be so rapid as to constitute a strong deflationary force, the civilian population has ample reserves of purchasing power, coupled with vast unfilled needs, with which to take up at least some of the slack. I have felt, therefore, that if the country exercises only reasonable intelligence, with pressure groups exercising only reasonable moderation in their conflicting demands, good business and prosperity should lie ahead for a considerable period of time.

Immediately after the collapse of Japan, the outlook was perhaps even more encouraging: We made good progress in the elimination of some of our Government controls; we were prompt in taking a first step towards a return to a peacetime tax system; we enjoyed an abundance of money available for investment; individuals throughout the country possessed tremendous amounts of liquid funds apparently available for spending; there existed an unprecedented demand for many of the things whose production had been curtailed during wartime, factories and their equipment, automobiles and clathes, to mention only a few, and, of course, the shortage of residential buildings was so great as to suggest the possibility of many years of capacity operation in the building industry. Finally—and this is a point which would seem to offset whatever inflationary pressures may be inherent in the various considerations just mentioned—we had a demonstrated productive capacity able, under war-boom conditions, to produce something like a two-thirds greater volume of goods and services than the country had ever consumed in peacetime. If, then, management and labor could only work together so that our new capacities, new products and new techniques could be applied to the production of the fruits of peace, industry should be able to produce all the goods and services that an affluent public will demand. Furthermore, under these conditions, with management and labor cooperating to increase production and production efficiency, it might be expected that, in the not too distant future, prices would decline to the advantage of management, labor and capital.

Into this situation which which seemed to favor a high degree of prosperity has come an impasse between management and labor which is in danger of shutting down a large portion of the nation's great industrial plant. What will come of our present industrial strife, it is impossible to foretell. But as 1945 goes into history, we appear likely, in the near future, to make decisions regarding wages, rules and hours of work, the use of modern labor-saving devices, labor efficiency and labor-management-Government relationships in general which will have a far-reaching effect upon our level of business, our volume of employment, our cost of living, and our standard of living, for many years to come. Let us hope that these decisions are made wisely.

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labor delegates at the labor-management conference was that they do not choose to become responsible. They preferred to hold fast to government favoritism and special privileges. But in my opinion, organized labor must get out, or it soon will be pushed out, of its childish stage of irresponsibility

"Much remedial legislation is needed to establish legal equality between labor and management, and I am sure it will be provided by Congress, backed by overwhelming public opinion. Until such actions take place, labor will not be the constructive force in the nation that it should and can be."

Our Reporter's Report

As the old year fades away there is a tendency toward conservatism in underwriting circles in attempting to forecast what may be ahead for the new year. Indications point to a fairly busy January.

But thereafter it is generally felt that the new issue market, at least so far as bonds are concerned, will settle back following the tremendous activity of the last year and one-half.

It is a foregone conclusion that with the need for war financing now definitely out of the way, new corporate business will be spread out over a greater period of time rather than being concentrated in brief intervals as it has been for several years.

Moreover, it is widely recognized that much of the refinancing that has been made possible by progressive contraction in money rates, has been carried through. It will require considerable study and work to project any such new undertakings, since it must be admitted that the money market is at or close to the irreducible minimums.

There is a tendency, at the same time, to look forward to a swing over to the new capital financing which may afford investors a bit better yield by way of higher coupons. And, since many companies are in strong position, it is felt that in seeking new capital, they may utilize the medium of new equities rather than incurring new debts.

Watching Money Market

Although the consensus is that the Treasury will maintain a cheap money policy, as indicated by Secretary Vinson in a recent speech, there is a tendency to keep an eye on the short-term money market.

It is recognized that there could be, now that the need for heavy war financing is past, some reversal of the elements which made for extreme ease in that direction. Deficit financing, it is hoped, will be curtailed as much as possible, thus tending to prevent any further marked expansion in bank deposits.

Again, the termination of hostilities and the slashing of war industry activities could reasonably bring about some contraction in the volume of currency in circulation. The first few weeks of the new year should give some idea of the trend in that direction. But all things considered, it is recognized that the Treasury must maintain its easy money policy in order to help it in carrying the enormous Federal debt.

Real Estate Bonds

The recovery in real estate bonds has kept pace with the revival trend in other sections of the investment market over a period of years. In fact it has been more aggressive than in some other directions.

A glance at the Amott, Baker price average affords a clear picture of what has been taking place in that quarter of the investment market. For example, on Nov. 30, last, the average price of a $1,000 bond was $644 against $622 a month earlier and $521 at the end of 1944.

The scope of the recovery is the more impressive if comparison is made with the average price prevailing on June 30, 1942. At that time the average for a $1,000 bond was $307, indicating a recovery to the end of November, this year, of 109%.

Bates Manufacturing

Bankers handling the Bates Manufacturing Co. offering of 256,000 shares of common stock reported the deal more than 90% completed on Saturday, after having encountered delay growing out of litigation.

A potential buyer, who sought to obtain a large block of the stock, went into court to seek to keep the books open on the offering to existing holders. But the court dismissed his plea and the underwriting group opened its books late on Friday.

A real "quickie," in the parlance of the trade. The stock was being quoted around $33 compared with the offering price of $25 a share.

Broker-Dealer Personnel Items

(Continued from page 3136)

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**Christopher T. G. Manners** has been added to the staff of **Herrick, Waddell & Co., Inc.,** 1012 Baltimore Avenue.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**J. W. Neighbor** is with **Herrick, Waddell & Company, Inc.,** 1012 Baltimore Avenue.

(Special to The Financial Chronicle)

LANSING, MICH.—**Everett V. Eschbach** has rejoined **Merrill Lynch, Pierce, Fenner & Beane,** 121 West Michigan Avenue, after serving in the U. S. Army.

(Special to The Financial Chronicle)

NEW HAVEN, CONN.—**Charles G. Crump** has become associated with **Chas. W. Scranton & Co.,** 209 Church Street.

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—**John H. Fellman** has become affiliated with **Merrill Lynch, Pierce, Fenner & Beane,** 818 Gravier Street.

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—**Travis T. Hailey** is with **Weil & Co.,** Richards Building.

(Special to The Financial Chronicle)

OMAHA, NEB.—**Virden Adair Clark** is with **Smith, Landeryou & Co.,** Farnam Building.

(Special to The Financial Chronicle)

PORTLAND, MAINE—**Benjamin F. Houser** is with **Coburn & Middlebrook,** 465 Congress Street.

(Special to The Financial Chronicle)

PORTLAND MAINE—**George H. Bangs, Jr.** and **George MacLennan** have joined the staff of **Chas. A. Day & Co.,** of Boston.

(Special to The Financial Chronicle)

PORTLAND, ORE.—**John A. Carrick** is with **John Galbraith & Co.,** Porter Building.

(Special to The Financial Chronicle)

RALEIGH, N. C.—**Jesse F. Higgins** is with **Southeastern Securities,** Independence Building, Charlotte, N. C.

Agricultural Question Mark of 1946

(Continued from page 3133)

ers in all parts of agriculture. However, I am particularly pleased to have the opportunity of talking with you at this time because of your deep interest in maintaining proper balance between agricultural and industrial production and income. For I believe that we are now face to face with some serious, far-reaching questions and decisions, dealing with that very philosophy of interlocking economic interests. I believe we all need to take a fresh look, right now, at recent developments in farming, industry, labor, and Government, which call for thorough understanding, give-and-take planning, and broad scale action by all parts of our economy.

Agricultural Outlook for 1946

The Department of Agriculture and the Extension Service recently completed its annual Outlook for 1946. To me that Outlook is the most significant of many years, because it marks the definite transition from a war to a peacetime farming. Charts and tables in that report are far more than lifeless statistics. If you use them to trace through the stirring, crucial period we are now ending, those economic curves become a cardiogram of the heart-beat of the Nation's business and agriculture. They mirror the drama of the man in the field and the man in the factory turning out more food and fiber, more machinery of war, and more goods for American living than ever before in history. It is symbolic that these charted curves, depicting farm and factory output, wages, profits, farm income, taxes, and other measures of our great effort, surge steeply up to 1945—and end with a big black question mark.

Where are we going now? That's the question.

Let us go back to those charts a moment. They demonstrate with undeniable clarity that when we gear all parts of our productive machinery together, as we did after Pearl Harbor, we can size up the job to be done, set our goals, and deliver the goods on schedule. They show that everybody benefits in measurable, dollars-and-cents terms when our factories and farms are busy. As industrial productivity rose, so did the income of workers, and the cash receipts from farm marketings—right up together, as always. It is no accident that in 1945, with the largest national income in history, farmers also have the largest net income they have ever earned. That net income is $13 billion. It is *seven* times the net farm income of 1932, when our productive machinery was badly out of balance. Furthermore, I believe that farmers can well be proud that this all-time record net income was earned by large, efficient output of food and fiber for the nation at very reasonable prices; it was the reward of genuine service to our country and not from gouging the public in its time of need.

Mechanical Power in Agriculture

Perhaps the key piece in the jig-saw puzzle of the future is the rapid change in farming. The farmer has been riding a definite upward curve for more than a century—and that curve is mechanical power. Power has swept like a tidal wave across our farms, and has changed them beyond recognition. The farmer in the United States has become one of the most lavish users of power in the world, and is increasing his sources of power faster and faster.

Let us go back to the early days in the United States. The phrase "embattled farmers" was more than poetic expression at the time of the Revolution. It was the literal truth that farmers made up the bulk of Washington's armies. How could it be otherwise, when 19 out of 20 people in the Colonies were farmers? In those days agriculture was a crude, low-efficiency handicraft. A farmer was fortunate if he had a yoke of oxen or a team of horses to pull his wooden plow. Many had only their human strength and mattocks and flails that had changed little in several thousand years. Nineteen out of 20 people were needed on the land to raise enough to supply their own needs, plus a little extra to trade the twentieth for manufactured goods.

With the industrial revolution in industry came the start of a revolution on the land—one that is still going on. As mechanical power replaced horsepower, fewer and fewer people were required to grow food and could go into manufacturing and trade and professions. Before World War I, farming had progressed so far in technology and mechanization that one-third of our population could do all the farming necessary for the other two-thirds, and could do it better. By 1929, one-fourth of the population could handle the farming end of our economy. And now we have just come through a period of greatest farm output of all time, with less than *one-fifth* of our people on the land

One doesn't have to be a seventh son of a seventh son to forecast the future of this trend. It is too sustained and powerful for any doubt. It isn't too much to expect that before many years one man on the farm will be able to produce all the food and other farm products needed for 10 in the cities.

New Farm Skills

What has brought about these astounding gains in productivity? How did farmers manage to forge ahead in wartime, turning out a third more production, with at least 15% less effective labor than in prewar years? The answers encompass thousands of items of research, invention, and development of new farm skills. Under broad headings they include such things as increased mechanization, greater use of fertilizer and lime, a good start in conservation-type farming, improved control of pests and disease, better feeding of livestock. Outstanding is power. It is estimated that in 1940 our farms had in one form or another more than 174 million mechanical horsepower, including 1½ million tractors.

Today farmers have about 2 million tractors—a gain of more than 40% during the war. Probably the most comprehensive measure of the farmer's technological progress along all lines is *output per worker*. Today farmers are producing *twice* as much per worker as they did in 1910. They are turning out *two-fifths* more per worker than they did in the years just before World War II.

The future is clear. More of the same!

Increase in Industrial Capacity

The meaning of the march of technology in agriculture would be incomplete without taking into account the fast-rising production capacity of industry. By 1942 the average industrial worker was turning out twice as much as he had in 1910. At the end of World War II his productivity was two-and-a-third times greater than in 1910.

But keep this difference in mind: Where farm population has gone down, the number in non-farm work has more than doubled. So has industrial capacity. We have more workers, more factories. Each unit can produce more than ever before. Each farmer, then, has more potential customers.

Economic Interdependence

Now to get back to my original theme. Interdependence between farmers and city folks now is a far different and far more serious matter than it was a century ago, a generation ago, or even a few years ago. We are operating, each group of us, as part of a terrifically high-powered economy, one which moves by steam, electricity, and gasoline, and which is on the threshold of harnessing the power of the atom. It is a world of science, in which we tear mechanical structures down and put them together again in new and strange forms, such as synthetic rubber and plastics. Such an age brings great new opportunities, but it also imposes the need for careful planning and self-discipline on all groups. If the power in one part of this complex economy is turned off, or the machinery stalls, the reaction spreads rapidly through all parts, and everybody suffers. Conversely, when all parts are synchronized, everybody prospers.

It may be pleasant to dream about the nostalgic days when the farm was self-sufficient, and some arm-chair philsophers may advocate back-to-the-land movements when unemployment threatens, but the actual fact is that the farm never has been 100% self-sufficient. Even in Colonial days the farmer had to trade some of his corn and tobacco for a musket and powder, buckets, lamps, clothing, tools, and other manufactured goods. Now the farm is less than 10% self-sufficient and is becoming even less so. A farmer must have markets and customers with buying power—or he will rapidly go bankrupt. The absolute truth is that the interests of each group is so interwoven with the interests of others that none can consider its welfare as separate from the welfare of the whole nation. "Me First" programs can bring only ultimate disaster to the group that launches them, and disruption and loss to the rest of us. The ideal—the kind of philosophy that took us so successfully through the war—is for all groups, acting together in the freedom that democracy gives them, to plan and coordinate their policies and programs for the welfare of the whole great society in which we live.

I stress this point because one of our most urgent needs, as we look into the doorway of the dynamic age ahead, is unity. The great question mark, and one that must be answered democratically, is "How are we going to use the tremendous production capacity we have built up?" That can't be answered by one group alone—it takes a combined, sincere and intelligent answer by all groups who work, trade or manage in the nation.

Problem of Balance in Production

We actually have only two main choices: One is a highly defensive, "frozen" economy, the kind that seeks unduly high prices per unit at the expense of output, efficiency and jobs. We know what that involves. It's a road we've been down before, with various segments of our economy trying to shut themselves into protected compartments, setting up trade barriers, and struggling for special advantage. We saw this kind of an economy evolve after the first World War. Farmers kept producing, but the rest of our productive force retreated into reduced output and reduced jobs to maintain prices. For example, from 1929 to 1932, the years leading into the Great Depression, steel prices declined hardly at all, but output was cut by more than *four-fifths.* Aluminum prices slumped less than 5% but production was slashed by *40%*. Automobile prices fell only a little over 10%, but assembly lines were throttled down by *75%*.

How did farmers get along? You remember painfully well. Farmers kept producing full blast, operating in free markets, and saw the prices of their products sink right to the bottom. Corn, wheat, cotton, livestock, milk, eggs—and the whole list of farm products—soon had only a third or fourth of their normal buying power.

Consumers *needed* that food as much as before. But they couldn't buy as much as they needed, no matter how cheap it was. For millions of consumers had no jobs. So great surpluses accumulated.

There is the lesson of a defensive, lop-sided, restricted economy. It's a simple one. We can all remember it: Industrial prices stayed up—production went downhill. Farm production stayed up—farm prices went downhill. Unemployment went up—consumption of all goods went down.

There's where we put our question mark. Is it going to happen again? Are we going to let it happen again?

No More Drift to Scarcity

Today we have another, a far better choice. We don't have to drift aimlessly down the road to scarcity. We can, if we get together, bring all parts of our national production machinery into an aggressive, well-balanced program of production, employment, and consumption. We can maintain a full-scale output of farm products alongside a full-scale output of industrial goods. A balanced expansion of all parts of our economy would automatically solve most of our supply and demand problems—indeed we might have to scratch around to turn out enough of some foods that are in great demand when workers have good jobs. It is the only system under which everybody can have a fair chance to share in the abundance the United States is capable of producing.

We know from recent experience what this kind of an economy involves. For one thing, it means that city workers have plenty of food dollars to spend, and they spend those dollars right over the farmer's counter. Last year the public spent more than $30 billion for food, nearly one-third of their total consumer outlay. Contrast that with 1933 when consumers had only $11½ billion food dollars—one-fourth of consumer outlay—and after the midleman took his charges there was mighty little left for the farmer.

We haven't known, until recent years, just how hungry the families of this country have been at times, or how much they could eat when there were plenty of food dollars in the pay envelope. We know now that the human stomach is far more elastic than we had supposed; and *it* shrinks and expands as our economy shrinks and expands. Families with low incomes subsist mainly on flour, beans and potatoes. As they get higher on the income scale they eat more eggs and vegetables. Still higher they add dairy products and meats. And only when they get near a high-level income do they eat lots of fruit and fancy vegetables. What stands out in the last few years in consumer demand? Meat and more meat! Milk! Butter! Fruit! There is no question about it, the farmer's greatest opportunity for enlarging his market—and a high-return market, at that—is not abroad, but right at home in the great food needs of a fully-employed, well-fed United States.

Agricultural Production Goals

Agriculture, among all economic groups, has made the first tangible move since the end of the war toward a full-production schedule—in other words for a meat-milk-and-fruit sort of economy. The national farm production goals for next year, recently suggested to States, call for 356 million acres of crops—14½ million more acres than the average pre-war plantings. Farmers are ready, eager, and able to tackle their primary mission of supplying all the food, and all kinds of food, the Nation needs.

However, as we well know, farmers cannot go down the road toward high-level production all alone. They are but a small part of the total economy. If the rest of the country drifts aimlessly into defensive position, if they permit the assembly lines to run in slow motion, if they allow the economy to spiral into inflation, then agriculture will be forced inevitably to revise its plans. We'll have to sound "retreat" instead of "advance."

It comes down to this: If we want the people of this country to go back to eating mostly flour, beans, and potatoes, then all we have to do is to let a low-level economy develop. Then farmers won't have the good markets for good beef, high-grade milk, and high quality fruits and vegetables.

If we want people in this country to have a high-level diet—one with plenty of the protective vitamins, minerals, and proteins—then we've got to develop a full-production, full-employment economy, with lots of food dollars going into paychecks. And those dollars have got to reach down to the large—the shockingly large—proportion of families who even during the war boom haven't been able to earn enough to afford a decent American diet. These low-income families, whether in that bracket from lack of education, lack of opportunity, underemployment, or unemployment, are a drag on the future. They are low-level producers and low-level consumers, and from a practical business viewpoint, without regard to the humanitarian and social aspects of their plight, are mighty poor customers of both farmers and business. The challenge of underconsumption certainly is not going to be less in the immediate years ahead; it is one that we must meet with effective action if we expect to build a strong, productive United States.

The Right Kind of Economic Standards

We know what we ought to do, and what we want to do, in the years ahead. But we can't get anywhere just by planning now. We *can* get started by setting the right kind of economic standards and organizing our combined efforts to reach and surpass them—by intelligent, efficient production, by sound price policies, and generally keeping our eye on the ball.

Farmers can do much to write their own ticket in the kind of farming they develop. If they want to plant only wheat and potatoes, that's the easiest thing in the world to do. Just have widespread unemployment and there would be little doubt we'd be heading for a wheat and potato kind of economy. The results would be hard on the markets for fat steers from the Corn Belt, dairy products from the Lake States, and citrus fruits from California and Florida.

If farmers want people to eat lots of meat, milk, poultry, fruits, and vegetables, they can help write the ticket for that kind of consumption. They can do it by driving for full employment and full production, which will make possible a better balanced, diversified agriculture—one that is easy on the land and produces the kind of foods the country needs. It's the kind of agriculture which, in the long run, will bring farmers the most stability and the most opportunity.

That is why it is vital at this time to do some serious thinking about such economic standards as the parity price formulas, which can affect the pattern of future production. These economic standards are fundamental to equality for agriculture. The farmer should hold firmly to the parity principle, which is his first and to date his best measure of the balance of agriculture in the whole economy. If parity needs to be changed, I believe the farmer and his friends should make the changes.

Parity Formulas Out of Date

But I must frankly admit that our present parity formulas, based on a period of a generation ago, produce some strange results when applied to the high-powered modern agriculture we have in 1945. In brief, price supports at 90% of parity on the present basis, might well cause production of some much-needed crops or products to decline, while over-encouraging some of the less-needed. For example, milk is now about 109% of parity, and we haven't been getting all we need. At 90% of parity many dairy farmers would slaughter their cows for beef to cut their losses. Soybeans are well over the comparable figure for parity, and we've had difficulty in holding the acreage up. What would happen to this crop at 90%? On the other hand, the price support of 90% of present parity on eggs may give us more eggs than consumers will buy.

What agriculture really wants and needs for the long pull, is *parity income*. That is, farmers should have a fair share of the national income, proportionate to the percentage of the national population on farms, adjusted for the relative costs of producing and living on the farm under modern conditions. That could be the over-all goal — and I might add that it is one agriculture has never reached except when producing all-out for war. Then, within this big goal, the parity prices of given commodities should be flexible enough to reflect changing conditions, increased efficiency, and changing needs. They should make a pattern of prices, which multiplied by output, would yield a fair share of the national income. Further, parity prices in any case should be such as would promote the most efficient use of our agricultural resources—and "efficient use" means production of needed crops and livestock, and stimulation of conservation-type farming.

I am not committed to any particular formula. I do believe we should consider various possibilities with extreme care, taking into account the many great changes taking place today.

As farmers study the big questionmark of 1946, there is no doubt as to the direction they want to go. The farmer likes to produce. His main aim in life, his contribution to the welfare of the country, is to harvest bumper crops, turn out well-finished livestock, send floods of milk and trainloads of eggs to market, and otherwise provide a bountiful food supply.

How can we drive for high production and for full employment? Farmers have their part of the answer. They could get together right now with industry and with labor, and talk about national goals and national policies and unified planning toward all-out prosperity.

A Conference on Production Needs

Farmers have their guide books already written. They are willing to be the lead horse in trying to pull our whole economy together on the proper paths. You know how the production goal machinery works. The goals for 1946, crop by crop, and almost acre by acre, throughout the entire farm economy, point the way toward what we should do to achieve full production. We know exactly how many acres of sugar beets, how many acres of early potatoes, how much of other crops and livestock we need to feed this country on a decent basis and take care of our obligations abroad. Farmers could walk into a conference now and indicate to industry exactly what they are ready to produce and, by the same token, about what they would be ready to consume. They know how many tractors, how many trucks, how many milking machines, and how many hay balers they would like to have. They could present concrete, specific examples of what lies ahead, both for industry and agriculture.

Now why wouldn't the same principle work all the way around? Can industry tell how many radios, how many suits of clothing, and how many automobiles this country is ready to produce in 1946? We believe that the farmers of this country are ready to lead the way into a new period of economic cooperation aiming toward full production and full employment on farms and in factories. Agriculture is willing to be the lead horse. It is not, however, willing that the rest of the team shall lag in the traces and expect the farm to carry the whole load. Farmers have tried it before with disastrous results to themselves and to the nation. If we are going to use the great productive capacity of America we must have a well-matched team with agriculture, labor and industry pulling together to achieve the high standard of American living we are so capable of producing.

Federal Corporation Control Bill Signed

A bill designed to strengthen the control of Congress over Government corporations with assets estimated at $20,000,000,000 was signed by President Truman on Dec. 6, the Associated Press reported from Washington, adding that the President took the occasion to make this statement:

"In requiring these corporations to submit their budgetary programs to the Bureau of the Budget and their expenditures to an audit by the general accounting office, the Congress has made a forward step in furthering the business-like management of Government."

Later, expressing "much satisfaction" in signing the measure, "for I have long believed in the principle it embodies," the President said that because of the lateness of the time it would not be possible to include budget programs for the corporations in the budget he submits to Congress in January, but he added, according to the Associated Press:

"I shall, however, submit by next Spring these corporations' budgets for the fiscal year beginning July 1, 1946."

In its advices the Associated Press said: Among other things, the bill requires approval of the Secretary of the Treasury of financial plans of the corporations including the issuance of securities, as well as his approval of the depositories of their funds.

The legislation also prohibits the setting up of additional corporations without congressional authority and the Federal reincorporation of those now operating under state charters.

The Congressional Economy Committee which had been campaigning for ten years for tighter financial control of the corporations is headed by Senator Byrd (D.Va.), one of the bill's sponsors.

From the Associated Press accounts of Dec. 6 we take the following:

Present at the signing were the measure's sponsors, Senators Harry F. Byrd, Democrat, of Virginia, and Hugh Butler, Republican of Nebraska, and Representatives William M. Whittington, Democrat, of Mississippi, and Francis Case, Republican, of South Dakota. The Congressional Economy Committee which Senator Byrd heads had been campaigning for ten years for tighter financial control of the corporations. It was Senator Byrd who estimated their assets at more than $20,000,000,000.

Wood Returns to N. Y. Banking Dept.

John Frank Wood, who has been on leave from the New York State Banking Department serving as 1st Lt. in the U. S. Marine Corps Reserve, has been released from active duty and has resumed his position as Deputy Superintendent and Counsel of the Department, Elliott V. Bell, Superintendent of Banks, said on Dec. 15. William Mertens, Jr., who has been Deputy Superintendent and Counsel in Mr. Wood's absence, has resigned from the Department's staff to accept a partnership in the firm of McLaughlin & Stickles of 36 West 44th Street, New York, N. Y., with which he was associated from 1934 to 1938. Mr. Mertens was formerly Law Secretary to Justice Isidor Wasservogel of the Supreme Court, and was a Deputy Assistant District Attorney of New York County.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

A minor rally now indicated. Suggest using it to pare long position to the bones. Technical rally is as bad as technical reaction — both spell further unsettlement.

* * *

The end of the old year and the beginning of the new has always been a signal for the rumors to start. Not that the stock market ever needs a change of years, months or days to start one of those "I-hear-they're-gonna" things. But a year-end lends some sort of authenticity to the usual stories that make them hard to resist. There is something about the change of the annual cipher on a calendar that carries with it a kind of magic to set imaginations soaring. And nowhere has it so much space and breadth to move around in as in the stock market. There is little reason to assume that with the coming of 1946 this condition will change. On the contrary, with all the real things awaiting to be done there is plenty grist for the rumor mill to start grinding.

* * *

Most of the stories you will hear will have to do with higher prices. Some may deal with lower prices. But as people seldom pay attention to what they don't want to hear, the bearish stories will find small audiences, if they find any at all. In addition to stock market forecasts you will shortly begin reading splendidly conceived, and well presented prognostications, on the state of future business. All of these will make interesting reading for the long winter evenings. They also will be excellent to start fires with when the piles they make in the corner begin toppling over.

* * *

In order to keep up with the parade of annual forecasters this column should also make like a pundit and say what to expect of the market for 1946. In order to do this it would be best to go back to the last column of 1944 and pick sentences out of text to prove my infallibility. Luckily I am too lazy to do this. And besides I never knew anybody who made money out of pointing to the past and offering it as a guarantee of the future. So, this year-end, I'll leave the annual forecasts to those who enjoy doing it. Me? I'd rather have another drink. Besides I don't know what will happen 12 months away. I have all I can do trying to figure them a week ahead.

* * *

To get back to the immediate past and the immediate future: A few weeks ago I suggested the purchase of about four stocks at specific prices with equally specific stops. Two weeks ago I didn't like the complexion of the market and warned that some kind of storm was ahead. Last week the storm came and the reasons for it were as varied as they were fantastic. But whatever these were they created a situation which did not bode well for the next few weeks. So last week I advised the stocks be sold on any minor advance or be disposed of if the stops were violated.

* * *

After the break, the rally came. But according to my interpretation this rally no longer had the strength to point to still higher prices. So I advised that:

American Steel Founders bought at 41, was to be sold at 42 (currently about 41½) though stop of 39 was still in effect.

Flintkote bought at 36, stop 35, was to be gotten out of about 37. Stock is now about 36¼.

N. Y. Central acquired at 31½, stop 28, was to be sold anywhere across 32. It's now about 34½.

There were two old stocks, Lockheed bought at 32½, stop 39, get out about 42. It's now about 41½. Last one was Western Union bought at 52, stop 50, which was to be sold across 53. (It's now about 53.)

* * *

Before the end of this week you may sell them all. With the exception of Lockheed the profit won't buy you yachts. But frankly I'm as much concerned with preventing losses, or cutting them, as I am in making profits.

* * *

If you get out of the entire position you will have all cash which may not be an ideal condition in today's markets. But unless, and until, I can see higher prices, or at least a maintenance of trend, I see no reason to advise others doing what I would not do myself. If the situation should turn for the better I'll have no hesitation in saying so. Until then let the other man worry.

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Pacific Coast Securities
Orders Executed on
Pacific Coast Exchanges
Schwabacher & Co.
Members
New York Stock Exchange
New York Curb Exchange (Associate)
Chicago Board of Trade
14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
Fresno

LAMBORN & CO.
99 WALL STREET
NEW YORK 5, N. Y.
SUGAR
Exports—Imports—Futures
DIgby 4-2727

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Problems of the Justice Department

(Continued from page 3135)

control every possible aspect of the induction process.

In addition to the grant of rule-making power, the Selective Training and Service Act makes provision for the performance of quasi-judicial functions within the administrative framework.

Registrants who are dissatisfied with their classification may ask for a hearing to obtain a deferment, or a different classification.

The local Selective Service Board hears and decides such complaints.

Should the registrant be dissatisfied with the decision of the local board, he has recourse to a local board of appeal and, in exceptional circumstances, to the President of the United States.

Such are the manifold administrative remedies which the act provides.

Opposition to Growth of Administrative Process

Many members of the Bar have vigorously opposed the growth of the administrative process.

This opposition, to quote Chief Justice Stone, is "reminiscent of the distrust of equity displayed by the Common Law judges and of their resistance to its expansion." Instead of resisting its growth, the Chief Justice said, the legal profession should seek "to adopt the undoubted advantages of the new agencies as efficient working implements of government, surrounded, at the same time, with every needful guarantee against abuse."

Your association's special committee on administrative law, since its formation in 1933, has steadily sought to have Congress enact regulatory legislation in this field.

And I think it is fair to say that we, in the Government, have also worked hard in the same general field in an effort to improve our procedures.

As defects have been pointed out, we have tried to correct them.

We have tried to make of the administrative process an efficient and withal, fair implement for the proper functioning of government.

For the past several months your special committee on administrative law and the Department of Justice have collaborated with the judiciary committees of both houses, at their specific request, in seeking to arrive at a final draft of the McCarran-Summers Bill which would be acceptable to all interests concerned.

I think the hard work which has thus been carried on has been rewarded with success.

The McCarran-Summers Bill

The final draft of the McCarran-Summers Bill, recently reported favorably by the Senate Judiciary Committee, may be described as a restatement of the law of due process for administrative agencies.

It establishes minimum procedural requirements in terms applicable to all administrative agencies of the Federal Government.

Broad general principles are laid down with a sufficient degree of definiteness to protect the public in its dealings with Government.

Recognition has been given to the fact that not every function of Governmental agencies can be regulated uniformly.

Their functions are far too varied for an over-generalized approach.

Accordingly, appropriate exceptions have been made, not of agencies as such, but of certain of their functions.

The paramount public interest is appropriately recognized.

Courts are not to set aside agency findings unless they are found to be "arbitrary, capricious, or otherwise not in accordance with law," or "unsupported by substantial evidence."

Due account is to be taken of the rule of "prejudicial error."

Asks Labor and Management to Cooperate With Government

The time has come for business, in its two great subdivisions of labor and management, to cooperate with Government.

We need the sort of three-horse hitch that we had during the war, to get the wagon moving.

Labor is big business in our national life, as well as management, and must be considered as such.

Business in this day of our development has far more responsibility than just making money for its own members.

It must cooperate to create high levels of employment and production.

We are bickering and squabbling like back-fence cats, where if we get into production the present problems of wages and prices will tend to settle themselves.

How foolish we are to try to settle decimal points when we have not given the forces of production and competition a free play, and before the inexorable laws of supply and demand can be applied.

Let's jump off the merry-go-round and into production.

Contempt-for-Law Attitude

On other phases of current problems that touch the Department of Justice, Attorney General Clark said:

There is abroad in the land a cynical attitude of contempt for law when law interferes with our sense of comfort and privilege. It is this psychological attitude of contempt for a law that is distasteful to us which is a basic factor in the whole story of the ills that hamper the progress of reconversion and keep us up to now from enjoying the fruits of the greatest military victory of all time. Perhaps if you trace this poison of contempt for the law you will find its source, partly at least, in the old prohibition law which made disrespect for all law axiomatic.

Today slight and seemingly innocent and occasional violations have a pay-off more serious than we think. Of course the solid citizen of today does not have to violate the prohibition law. But the habit to violate law and to rationalize the violation, so that it squares with one's conscience, seems to have survived. The solid citizen finds that judicious,—or shall I say clever,—expenditure of money, — here and there, — over and above the standard of customary trade,—brings him special consideration.

In the days of shortages, meats and cigarettes and possibly Nylon stockings, came by this route. Today to avoid delays in personal services, tips are given for apartments, for clothing, for even repairs to automobiles and shoes. Sometimes these "tips" are so large they are called "bonuses." Thus we are setting the stage for a really tremendous drama of conflict which eats right to the heart of the reconversion problem. For as you study the facts what is it that is happening and what is the cumulative effect of the large and petty, but in the aggregate, disastrous violations of which I speak?

Simply this:

That here on the one hand the Government is striving against the biggest, the most vociferous and the most powerful lobbies in all history, to hold prices down, and thereby, to stop the flood-gates of a runaway inflation. I think it is fair to say that the Government's success with this most unwieldy problem has to this hour, while not complete, certainly been phenomenal. Its continued success, so important to our economic life, to our savings, to our future, rests with all of us. The solution rests simply in obedience to the law, in a cooperative, a patriotic eagerness for all of us, to check inflation, and keep our money values intact, by putting a damper on our own greed.

No black market can survive one hour if we refuse to patronize it. They exist because people are willing to pay anything for what they want and can get. Such a money-lure is irresistible to the racketeer.

It all comes under the head of unwillingness to abide by normal and sensible regulation. It comes under the head of contempt for the law. And it may not sound like a serious matter,—as we talk here among ourselves,—that some of us are "smart" enough to obtain scarce articles or services, by extra-legal means. But disrespect for any law on the part of all classes, especially those who can afford special privileges, has its harvest.

It is one of the arresting ironies of our time that the very man who may have sent his son to die overseas, or given of his own blood, by the pint, again and again to the Red Cross, is now imperilling the great victory this helped to win, by undermining the nation's economic strength. Domestically there can be no greater economic catastrophe than a runaway inflation. The problem seems to have been licked. But the office of the Attorney General is a kind of periscope that unfailingly sees violations of the law when they occur in any part of the land. And I can tell you right here and now that the evil of the black market, the evil of sly overpayment on ceiling prices, is no extinct volcano.

The Department of Justice is now fighting the black market in textiles in New York and no quarter will be given, because these violations are destroying the very breath of our economic life. And wherever violations occur there will be a crack-down with all the force and fury of the Federal prosecuting arm. But in the last analysis it is upon the average citizen that the nation must depend for success in this reconversion fight against inflation. For it is upon the respect—the deep respect—of the man in the street for the law of the land that the road to reconversion can be made safe so that a dollar will still be a full dollar when the end of the road is reached.

Growth of Law Violations

Now what is the harvest of which I speak that comes in the wake of disrespect for the law?

Well, I have some figures here, prepared for me by my famous assistant, J. Edgar Hoover, of the Federal Bureau of Investigation, which show the pay-off—the harvest, as it were—of the widespread disrespect for law in America.

Your imaginations may be startled by the figures which follow. But they have been carefully gathered, and then checked and rechecked. None of us—I repeat—not one of us, is free from complicity in them, and none of us is free from contributing to the delinquency of those who have fallen into the toils of the law.

Here is reality—let the blame fall where it may. This is the arithmetic of the nation's crime story. This hits us where we live, in our cities, in our homes. It is an attack on the American family itself. And I can tell you, it has already compromised no negligible portion of the nation's future.

Consider:

In October of this year serious crimes increased 19% over the same month last year.

There were 32% more murders.

There were 38% more auto thefts.

There were 38% more robberies.

There were 11% more larcenies and 26% more burglaries.

And now hold in your memories for an instant these even more appalling facts:

In the classification under 21 years of age—I said *under* 21 years of age—we find 15% of all the murderers; 36% of all the robbers; 51% of all the burglars; 34% of all the thieves; 26% of all the arsonists; 62% of all car thieves and 30% of all rapists. And that is as ugly a word as there is in the English language.

More boys and girls aged 17 are arrested than any other age group.

Of course where girls of tender years are concerned our consciences are especially sensitive.

Well, consider these figures:

The arrests of girls under 18 have increased 198% since 1939.

Arrests of boys under 18 have increased 48% for homicide alone; 70% for rape; 39% for robbery; 72% for assault; 55% for auto thefts; and 101% for drunkenness.

No one of us can honestly plead "not guilty" to some share in this tragic picture told in the hard statistics of the nation's crime.

That's the harvest of disrespect for the law. And no one, I say, who has heard these figures can disdain a responsibility of some sort for them.

We have contributed, all of us, in the older generation, to this delinquency. We have either set a bad example, or have not been interested enough to furnish adequate leadership. We have not taken the trouble and we have not been on the job. American youth has seen its elders take the easiest way. It has seen the "smart" and the "clever" amongst us, get those things which were scarce by violating the law. And youth has followed suit and piled up such a catalogue of crime as makes all previous records for juvenile offenders seem a mere list of childish pranks by comparison.

A powerful and concerted effort on a national scale which has its center in the Department of Justice is now operating to attack this evil. Its plan is a practical one and reaches into every community in the country. Its policy is to save the reputation of American youth by being sympathetic but firm and avoiding the stigma of a court record for a first offender when that is possible and practicable and the intelligent course to follow. In any event the nation is being alerted to the situation and the campaign against juvenile crime is now in full swing. But again, as in the case of the black market, nine-tenths of the effort can be discounted, unless all of us, the average citizen that is, and epecially men like you in positions of leadership, take hold and give us your support.

But the picture is not all black. And the silver lining in this cloud is to be found in the returning veteran in whom we have the test of our stewardship. In my judgment there is not a man or a woman who has served in our armed forces in the late war who potentially is not a better citizen because of the experience. God works in wondrous ways. His miracles to perform, and one of the by-products of the incalculable agony of the last war is that they who fought it for us have come out of it stronger and tougher in their conception of citizenship. However, if they turn out wrong—and they have not done so as yet—it is directly our fault in not being wise enough or interested enough in taking care of them.

Our figures up to now show that the veteran is the most law abiding of all of us—and that is one of the most comforting reflections of our time. I, for one, hope that we do nothing to muddle this now cheerful aspect of the American scene as we have so badly mismanaged some of the other phases of it. For it is not unlikely if we examine into causes we shall find that one of the reasons for juvenile delinquency is that the school teacher and the policeman are the most underpaid of all our public servants. And I know I do not have to pause here to tell you the vital role the school-teacher plays in the moulding of the mind of young America in the classroom, and the almost equally vital role the neighborhood policeman plays in influencing American youth on the street. You do not always win when you prune the budget too close, for the money you save in the class room you spend 20 times over in your penal institutions.

The Anti-Trust Laws

We all know that production will cure many ills. We in Washington know the state of honest uncertainty that sometimes assails the American business man in determining his status under the anti-trust laws. It is my policy *not* to adopt a punitive attitude where no punitive attitude is called for. Rather I invite you to come to the Department of Justice with your anti-trust problems and we shall show you where you stand in danger of making the wrong turning. The Department of Justice is not going to solve your legal problems for you, because that's your lawyer's job, but where it can it will show him the red or the green light with respect to your business operations.

The purpose, of course, is to lubricate the machinery of postwar business and put the process of reconversion in high gear. The purpose is to give the free enterprise every break. It is in this spirit that the Department of Justice, in enforcing the Sherman law against what it believes to be monopolies, is seeking to establish competition in the aluminum industry, — and, I believe, with eventual success. It is an interesting commentary that in spite of Alcoa's claims to remarkable manufacturing efficiency there has been no substantial reduction in the price of aluminum since 1911. And we hold that Alcoa had a monopoly up to the hour that the Government, imperilled by the war, stepped in to expand production.

With Government-injected competition the price of aluminum was reduced. It is this competition which we are trying to establish in aluminum for good. The result, we believe will give the Nation lower prices for aluminum products, wider distribution, and a healthier industry.

In the antitrust suit against the Pullman Company we have shown the restrictive influence of monopoly, for it is one of our contentions that the Pullman Company has critically failed to meet sleeping car needs with anything like adequate replacements and new construction. No heavy-weight standard Pullman cars have been built since Feb. 2, 1931. The small number of light-weight cars that were built in that period failed even to begin to meet the needs of the national sleeping car problem. And along similar lines the paralyzing hand of monopoly and the tendency to monopoly has helped to give us a situation on our railroads so that we actually had more freight cars in World War I rather than in World War II.

I'll let the statistics tell their own story:

On Dec. 31, 1916, this country had 2,329,475 freight cars.

On Dec. 31, 1944, this country had 1,797,012 freight cars.

This means that while we were confronted with a global war we

Says Deflation Fear Far-Fetched

In the December issue of the "Monthly Bank Letter" of the National City Bank, the publication takes issue with the argument of labor leaders and President Truman that general use in the wage rate level is essential to avoid a deflation and a decline in general purchasing power and maintains that the fear of a post-war deflationary trend and inadequate purchasing power "is far fetched." In a discussion of the topic, the National City circular states:

In the discussion of union demands for 30% wage increases to compensate for return to the 40-hour week, with consequent elimination of overtime pay at premium rates, a central point is the claim that unless labor's take-home pay is maintained at the wartime peak, despite lessened hours of work, labor will suffer a decline in purchasing power which will have a deflationary effect upon the economy at large and prevent the expansion of peacetime employment and production so ardently desired by everyone.

Not only has this argument been repeated again and again by labor leaders and labor economists, but it has received strong support in highest government quarters. Thus in his wage-price speech on Oct. 30, President Truman referred to an estimated drop, unless checked, of over $20 billion in annual wage and salary payments in private industry, which he said "is not going to do anybody any good—labor, business, agriculture, or the general public." "It is," he declared, "a sure road to wide unemployment." Conceding that there will have to be a drop in take-home pay, the nation, he said, cannot afford to have that drop too drastic. "Wage increases," he continued, "are therefore imperative — to cushion the shock to our workers, to sustain adequate purchasing power and to raise the national income."

In similar vein was the statement by Reconversion Director John W. Snyder in a public address in October citing that "where the cut in the work week has been from 48 to 40 hours the reduction in take-home pay is 23%," and concluding that "this wide reduction of pay can mean only one thing, that the workers would have to reduce their standard of living."

This theory that wage increases are needed now to "sustain purchasing power" and "avert deflation" ought to be examined critically. Because of the importance of the wage factor in business costs we cannot afford to risk ill-considered judgments that may wreck the whole recovery program. Is it true that we face a problem of too little purchasing power in the hands of the public? And if true, would the proposed increase in wages be an effective method of sustaining general purchasing power and stimulating production and employment?

Is There a Shortage of Purchasing Power?

In considering this question, it is in order to point out, first, that government officials are talking on both sides of the fence. While the President is stressing the deflationary effect of an estimated shrinkage of $20 billion in annual wage and salary income and calling for wage increases as an offset, the Treasury is launched upon the Victory Loan drive, with emphasis upon individual subscriptions to mop up "excess purchasing power" and, as Secretary Vinson said, give inflation "the knockout punch." If our trouble is to be too little purchasing power and deflation why are we trying to sell bonds to the people who could otherwise keep their money for spending? Why are we endeavoring to keep the bonds out of the banks whose purchases would expand credit and purchasing power and thus exert a counter-deflationary influence?

And why, if our problem is deflation, did the President, in his Sept. 6 message to Congress, warn us as he did (and we think wisely) of the inflationary outburst that followed World War I?

"We must (he said) keep in mind the experience of the period immediately after the First World War. After a lull of a few months following the Armistice of 1918, prices turned upward, scrambling for inventory started, and prices soon got completely out of hand. We found ourselves in one of the worst inflations in our history, culminating in the crash of 1920."

And why, again, did Mr. Snyder, who has been quoted above as forecasting purchasing power deficiencies and deflation if labor take-home pay is permitted to decline, say to Congress in urging continuance of price control legislation beyond June 30 next that "as long as there are more dollars than goods in circulation, the Government must hold the line again inflation"? Why did Chester Bowles, the OPA director, testifying on the same bill, assert that such continuing price control was necessary because "there's more hot money around than most of us dreamed there would be"?

With such conflicting statements from government officials on the matter of available buying power, it is small wonder if the public becomes confused.

In our view, the answer to the question, is there any impending shortage of buying power? is—no, for three principal reasons:

1. The Federal Government is still spending far in excess of income, and is expected to show a deficit of some $30 billion this fiscal year. Despite the exclusion of the commercial banks from subscription to the war loans for their own account (except in limited amounts for saving deposits), a very substantial part of the deficit is being financed indirectly by expansion of commercial bank credit. This means that much more freshly created dollars of purchasing power turned loose in the markets, and is definitely inflationary.

2. People will undoubtedly spend a larger proportion of their currently received income than they did during the war. While the war was on people saved, both because of patriotic incentives and because many of the things they wanted to buy were not available. It was, indeed, thanks to this rise in the normal rate of saving that the "inflationary gap" between the total of disposable incomes and the supply of goods and services was bridged and the war financed without a terrific inflation of prices. Now, however, by the same token, there is room for a considerable decrease in the sum total of income payments to individuals without corresponding decrease in individual expenditures, and with the possibility even that such expenditures will increase. It would mean cutting down on the abnormal wartime rate of savings and devoting a more normal proportion of current income to spending.

3. People, in addition to spending more and saving less of their *current* income, may also dig into their *past* savings which have been accumulating by leaps and bounds during the war and now reach the enormous total of $140 billion of liquid resources, made up of readily marketable (or cashable) government bonds and other securities, bank deposits, and currency. To what extent people will be willing to invade this huge pile of past savings is a matter for conjecture, but certainly the existence of this great hoard of reserves ought to be taken into account in talking about future purchasing power and figuring the possibilities for inflation or deflation.

In addition to the foregoing three points there is still another and more fundamental reason for not taking a calamitous view of some fall in money income payments. It should be borne in mind that the reduction that is talked of would be from a highly inflated wartime level — inflated not only by overtime wage payments but also by employment of more than the normal labor force. Such conditions afford no sound criterion for more normal conditions. The thing that will count from now on is not the relation of money incomes to the inflated war levels, but rather the relation of money incomes to costs, prices, and profits. To the extent that we achieve a relationship between these various elements that promotes production and distribution, the question of purchasing power takes care of itself.

Fears of Deflation Far-Fetched

Taking all these factors together, it is difficult to see solid basis for fears of inadequate purchasing power and deflation. Rather the danger seems just the other way around—that we shall have more purchasing power seeking satisfaction in goods and services than there are goods and services available. There is, and will continue to be for some time, a shortage of the kind of things people will be wanting to buy. Meanwhile, the preoccupation appears to be all in the direction of piling up the financial claims against production rather than getting production itself going. There is the scramble for higher wages, the scramble for foreign loans, the pressure for larger unemployment relief payments, subsidies, and deficit spending, all on the theory that they add to purchasing power.

At the same time, many people seem to think they ought to have more and more time for leisure. They want a shorter work-week (of course at the same take-home wages as before). Production is hampered by strikes, slowdowns, absenteeism, and general carelessness about doing a good day's work. No one worries about losing a job, for there is always another to be had, most people have some financial resources tucked away, and in the background there are usually liberal unemployment relief allowances to fall back on. Industries are crying for labor, while workers "rest up" and go fishing, or look around choosily for jobs that will pay the war wages to which they have been accustomed.

The truth is that there can be no real gain in purchasing power or living standards, no matter how much money we give people, until we can get production moving ahead. Purchasing power exists in a meaningful sense only when there is something to purchase. Under any other condition, additions to "purchasing power" merely set the stage for inflation. The people of Europe are getting a fearful lesson in this, but in our more fortunate position the realization does not seem to sink in.

Actually, signs of inflation are present on every hand. We see them in the volume of retail trade moving. We see them in the amount of travel, in the congestion of the railroads and of the hotels. We see them in the difficulty in holding price ceilings, and in the readiness of people to resort to costly subterfuges to get the goods they want when they want them. We see the signs of inflation in real estate. We see them in the stock market, where prices have risen to the highest levels in eight years. And all this, be it noted, is without use of credit. People have the money and are paying down cash on the barrel. One needs but look around and see what is going on to wonder why people are worrying so much about deflation and so little about inflation.

Wages and Purchasing Power

But assuming for the sake of discussion that our problem is inadequate purchasing power, would anything be gained by jacking up wages all around? This is a very old argument, which keeps cropping up both because the idea that boosting wages will, ipso facto, create more purchasing power is superficially plausible and because the groups advocating higher wages — usually for themselves—are easily persuaded that the increases are for the general good.

The fact is, of course, that an increase in wages may or may not mean more purchasing power, depending on the circumstances. An increase that comes about in reflection of increased productivity, without raising costs and prices, is one thing. But an increase that is forced or granted without regard to productivity is quite another matter.

Certainly wage increases do not mean more purchasing power if they squeeze profit margins to the point where business cannot go ahead and workers are thrown out of jobs. And it is usually the smaller concerns that feel the pinch most since these are generally operating on slenderer margins of resources and are less able to make adjustments. Wage increases may reduce employment to the extent that labor-saving devices, etc., are introduced.

Certainly wage increases do not mean more purchasing power if they force prices to a level where buyers strike and production and trade are stalled. Of what use, for example, to raise wages in the building trades to increase purchasing power if the result is to halt building?

Commenting recently in a radio broadcast on the obstructive effects of spiraling wages, costs, and prices on the New York City program for construction of 13 low-cost public housing projects, Mayor F. H. La Guardia revealed the city's inability to obtain bids on the first of these projects on a basis that would permit them to go ahead. Stating that the lowest bid would have run the final cost of the first project $810,000 above the New York City Housing Authority's estimate of $3,860,000, extension of such increases on the same scale to the other projects

(Continued on page 3167)

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had 532,463 less freight cars than we had in the war that preceded it more than a quarter century before.

This arrested production and retrogression strangles the national defense in time of emergency.

Our war for reconversion is along all these fronts. It is in the American home where the juvenile delinquency problem is centered, and we are fighting it there. It is in the strangle-hold that the black market is trying to get on legitimate business and we are fighting it there. It is in the tendency to monopoly and we are striking at that evil through the enforcement of the laws against it enacted by the Congress. Our country has the machinery of the law and it has the means of enforcement, and our people, I believe, have the will to see this post war period through as they saw the war itself through to victory!

If I succeed in my own estimation as Attorney General it will be because I have fulfilled my role as the people's lawyer which in my judgment is the highest praise that can come to me. That means that the Department of Justice is cooperative, with a set of affirmative and helpful principles, eager to assist business enterprise in America channel itself through legitimate paths to prosperity. That means that the acts of Congress will be enforced for the protection of the public. It means that to the limit of my capacity as a cabinet officer this administration will bring the full weight of Government authority to bear on the side of a lawfully prosperous nation.

DIVIDEND NOTICES

Electric Bond and Share Company
$6 and $5 Preferred Stock Dividends

Quarterly dividends of $1.16 per share on the $6 Preferred Stock and $0.96 2/3 per share on the $5 Preferred Stock of the Company (such stocks having been modified as of November 23, 1945 in connection with a $30 per share capital distribution) have been declared for payment February 1, 1946 to the stockholders of record at the close of busniess January 7, 1946.

H. H. DINKINS, Jr., *Secretary.*

DIVIDEND NOTICES

JOHN MORRELL & CO.

Morrell PRIDE meats

DIVIDEND NO. 66

A dividend of Fifty Cents ($0.50) per share on the capital stock of John Morrell & Co., will be paid Jan. 31, 1946, to stockholders of record Jan 12, 1946, as shown on the books of the Company.

Geo. A. Morrell, Vice-Pres. & Treas.
Ottumawa, Iowa.

UNITED STATES SMELTING REFINING AND MINING COMPANY

The Directors have declared a quarterly dividend of 1¾% (87½ cents per share) on the Preferred Capital Stock payable on January 15, 1946 to stockholders of record at the close of business December 29, 1945. No dividend was declared on the Common Stock.

FRANCIS FISKE, *Treasurer.*
December 20, 1945

FROEDTERT GRAIN and MALTING COMPANY, INC.

"Largest Commercial Maltsters in the World"

DIVIDENDS DECLARED

The Board of Directors of Froedtert Grain and Malting Company, Inc., today declared regular quarterly dividends of twenty-five cents (25¢) per share on the Common Capital Stock of the Company and fifty-five cents (55¢) per share on the Preferred Stock of the Company, both payable January 31, 1946, to stockholders of record January 15, 1946.

ALVIN R. CORD
Vice President and Treasurer

Milwaukee, Wis.
December 18, 1945

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 80¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable 40¢ per share February 1, 1946 to holders of record at the close of business January 11, 1946, and 40¢ per share May 1, 1946 to holders of record at the close of business April 12, 1946.

The transfer books will not be closed in connection with either of these payments.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
W. H. Moorhead
Vice President and Cashier

Calendar of New Security Flottaions

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, DEC. 29

SOUTHERN UNION GAS CO. on Dec. 10 filed a registration statement for 27,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Dec. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

BERYLACA YELLOWKNIFE GOLD MINES, LTD., on Dec. 10 filed a registration statement for 5,720 shares common stock (par $5).

Details—See issue of Dec. 20.

Offering—Company has an authorized capital of $40,000, divided into 8,000 shares (par $5). There have been issued for property, 2,000 shares, in escrow; issued for cash 280 shares and in treasury 5,720 shares which are being offered at par for public subscription.

Underwriters—None named.

MONDAY, DEC. 31

CONSOLIDATED BISCUIT CO. on Dec. 12 filed a registration statement for 80,750 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The new stock will be offered to common stockholders of record some time in January at $10 per share in the ratio of one share for each four shares held.

Underwriters—None mentioned.

AUTOMATIC CANTEEN CO. OF AMERICA on Dec. 12 filed a registration statement for 129,966 shares of common stock, par $5.

Details—See issue of Dec. 20.

Offering—Price to public will be filed by amendment.

Underwriters—Hornblower & Weeks and Central Republic Corp., Inc.

BUFFALO NIAGARA ELECTRIC CORP. on Dec. 12 filed a registration statement for 350,000 shares of preferred stock (.00 par). The dividend rate will be filed by amendment.

Details—See issue of Dec. 20.

Offering—The new stock will be offered for sale at competitive bidding and the offering price filed by amendment.

Underwriters—The names will be filed by amendment.

STERLING ENGINE CO. on Dec. 12 filed a registration statement for 100,000 shares of 55 cent cumulative convertible preferred stock ($8 par) and 150,000 shares of common stock ($1 par).

Details—See issue of Dec. 20.

Offering—The 100,000 shares of preferred stock are to be offered first to the holders of the company's outstanding common shares at $10 a share. The common shares are reserved for conversion of preferred. The preferred is convertible at any time into 1½ shares of common stock.

Underwriters—Burr & Co., Inc., 57 William Street, New York 5, N. Y.

TUESDAY, JAN 1

DALLAS RAILWAY & TERMINAL CO. on Dec. 13 filed a registration statement for 162,500 shares of common stock (par $20).

Details—See issue of Dec. 20.

Offering — The shares are presently owned by Electric Power & Light Co., parent of Dallas, and proceeds from the sale will be received by Electric Power & Light. Upon consummation of the sale Dallas will cease to be a subsidiary or an affiliate of Electric.

Underwriters—To be sold at competitive bidding.

WEDNESDAY, JAN. 2

UNION ASBESTO & RUBBER CO. on Dec. 14 filed a registration statement for 217,384 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Dec. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—Kuhn, Loeb & Co. heads the underwriting group.

CARRIER CORP. on Dec. 14 filed a registration statement for 120,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Details—See issue of Dec. 20.

Offering—The company will offer the preferred stock to the holders of its common stock on a pro rata basis upon terms and at a price to be filed by amendment, on the basis of so many shares of preferred for each 100 shares of common held. The underwriters have agreed to purchase such shares of preferred as are not subscribed for by the common stockholders, together with the balance of the authorized 120,000 shares which are not offered to stockholders. The public offering price will be filed by amendment.

Underwriters—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co. head the underwriting group.

ATLANTIC REFINING CO. on Dec. 14 filed a registration statement for $25,000,000 20-year debentures due Jan. 15, 1966 and 102,000 shares of cumulative preferred stock, Series B, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of Dec. 20.

Offering—The preferred stock is offered by the company to the holders of its common stock at a price to be filed by amendment at the rate of one share of preferred for each 26 shares of common held of record at the close of business on Jan. 8, 1946. The underwriters have agreed to purchase any unsubscribed preferred stock. The public offering prices of the debentures and preferred will be filed by amendment.

Underwriters—Smith, Barney & Co. head the underwriting group.

BUFFALO BOLT CO. on Dec. 14 filed a registration statement for 58,386 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The underwriters are offering 43,386 shares at a price to be filed by amendment. In addition there may be eventually offered under the prospectus all or a part of an additional 15,000 shares of common, issued and delivered by the company to Lee Industries, Inc., on Aug. 10, 1945, Buffalo Bolt acquired the assets subject to liabilities of Eclipse Lawn Mower Co. from Lee Industries for 15,000 shares of Buffalo Bolt common. Lee Industries distributed to its stockholders the 15,000 shares of Buffalo Bolt common which, at the then market value of $10 per share, were worth $150,000. Lee Industries was dissolved on Sept. 17, 1945.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

MONDAY, JAN. 7

THE VISKING CORP. has filed a registration statement for 150,000 shares of class A common stock, $5 par. The shares are issued and are being sold by certain stockholders.

Address—6733 West 65th Street, Chicago 38, Illinois.

Business—Manufactures extruded cellulose sausage casings, of which it is the largest producer.

Offering—The shares are being purchased from a group of stockholders. The largest block, 54,000 shares is being purchased from E. I. du Pont de Nemours & Co. Price to be received by the selling group and price to the public will be filed by amendment. Company's capitalization consists of 540,000 shares of class A, $5 par common and 54,000 shares of class B common stock, par $5.

Underwriters—A. G. Becker & Co., Inc. and Lehman Brothers.

Registration statement No. 2-6052 Form S-2 (12-19-45).

TUESDAY, JAN. 8

BROWN SHOE CO. INC., has filed a registration statement for 40,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Address—1600 Washington Avenue, St. Louis, Mo.

Business—Women's, men's and children's shoes.

Offering—The price to the public will be filed by amendment.

Proceeds—The company will apply $3,000,000 of the net proceeds to the prepayment of its term bank loan evidenced by a 2¼% promissory note, maturing on April 1, 1955, in the amount of $3,000,000. The balance of the net proceeds will be added to the general funds of the company. In view of anticipated demands for its products and the outlook for its business generally, the company intends to apply portions of its general funds to the opening of factories, including two which now are under construction.

Underwriters—Goldman, Sachs & Co., and Lehman Brothers head the underwriting group.

Registration Statement No. 2-6053. Form A-2. (12-20-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

THE CONSOLIDATED, INCORPORATED, English name of La Consolidada, S. A., a Mexican corporation, on Nov. 28 filed a registration statement for 166,667 American preferred shares and 614,667 American common shares. The underlying shares consist of 166,667 shares of 6% cumulative preferred, par 75 pesos, and 614,667 shares of common, par 25 pesos.

Details—See issue of Dec. 6.

Offering—Company is offering 166,667 Mexican preferred shares at 75 pesos per share to the holders of Mexican common stock on a pro rata basis. American preferred shares will be issued against any Mexican preferred shares not subscribed for and will be purchased by the underwriters for offering in the United States at a price to be filed by amendment. The preferred shares are convertible to and including Dec. 31, 1950, unless previously redeemed, into American common stock on a share for share basis.

Underwriters—Shields & Co. head the underwriting group.

ELECTRONIC CORP. OF AMERICA on Dec. 3 filed registration statement for 70,000 shares 55 cent cumulative convertible preferred and 100,000 shares common stock $1 par.

Details—See issue of Dec. 6.

Offering—Preferred stock $10, common stock $5.

Underwriters—First Colony Corp., Simons, Linburn & Co., Childs, Jeffries & Thorndike, Coburn & Middlebrook, Grubbs, Scott & Co., Hirsch & Co. and Irving J. Rice & Co.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

GENERAL INSTRUMENT CORP. on Oct. 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAHAM-NEWMAN CORP. on Dec. 7 filed a registration statement for 14,999 shares of capital stock, minimum stated value of $50 per share.

Details—See issue of Dec. 20.

Offering—Of the 14,999 shares being registered, additional shares in a number as yet undetermined, but estimated to be no less than 6,250 and no more than 7,500, will be offered to all stockholders, pro rata, at a price of $100 per share which is less than net asset value, and this offer will expire on Jan. 30, 1946. Any stock not subscribed for will be deregistered and will not be issued.

Underwriters—None named.

GULF PUBLIC SERVICE CO., INC., on Nov. 28 filed a registration statement for 312,500 shares of common stock ($4 par). The shares are issued and are being sold by certain stockholders.

Details—See issue of Dec. 6.

Offering—The price to the public will be filed by amendment.

Underwriters—To be named by amendment.

INDIANA STEEL PRODUCTS CO. on Oct. 29 filed a registration statement for $1,000,000 12-year 5% sinking fund debentures with warrants to purchase common stock, and 40,000 shares of common (par $1), reserved for exercise of common stock purchase warrants.

Details—See issue of Dec. 6.

Offering—The company is offering to the holders of its outstanding shares of 6% convertible preferred stock, which have been called for redemption on Dec. 29, 1945, the opportunity to exchange the preferred at the redemption price of $22 per share, for debentures, with warrants, at par, with cash adjustments for accrued dividend on preferred and accrued interest on the debentures. The underwriters are initially offering $340,000 of debentures, with warrants, for cash sale to the public at a price to be filed by amendment but not less than 102½.

Underwriters—Brailsford & Co., Chicago and Kalman & Co., Inc., St. Paul.

MANUFACTURERS CREDIT CORP. on Nov. 13 filed a registration statement for 40,000 shares 6% preferred stock, $25 par, and 40,000 shares of common stock, $1 par and 40,000 common stock purchase warrants and 40,000 shares of common reserved for issuance upon exercise of warrants.

Details—See issue of Nov. 22.

Offering—The offering price to the public will be $30 per unit, a unit consisting of one share of preferred and one share of common stock.

Underwriters—Walter F. Tellier, doing business under the firm name of Tellier & Co., New York, is named principal underwriter.

MAREMONT AUTOMOTIVE PRODUCTS, INC. on Dec. 4 filed a registration statement for $1,000,000 4% sinking fund debentures, due Dec. 1, 1960. Price to public to be offered by amendment.

Details—See issue of Dec. 6.

Offering—Price to public to be offered by amendment.

Underwriters—Kebbon, McCormick & Co., Chicago.

McCRORY STORES CORP. on Dec. 4 filed a registration statement for 60,000 shares of cumulative convertible preferred stock, par $100, and 150,000 shares of common stock, par $1. In addition 150,000 shares of common were registered which are reserved for conversion of the preferred stock. The dividend rate on the preferred will be filed by amendment.

Details—See issue of Dec. 13.

Offering—The 60,000 shares of preferred will be initially offered to holders of its common stock of record Dec. 27. Holders of a certain number of common shares (including United Stores Corporation) have agreed to waive their rights to subscribe and the shares of new preferred to which they would otherwise be entitled to subscribe will be sold to the underwriters, except for a small number of shares to the remaining common stockholders so as to make possible the ratio which will be filed by amendment. The underwriters have agreed to purchase any shares of new preferred which are not subscribed for by common stockholders. The underwriters also will purchase at $22 per share any of the 150,000 shares of common which are not purchased by the holders of 5% cumulative preferred stock pursuant to the common stock purchase warrants attached to such shares of stock, except the shares of common reserved for issuance upon exercise of fractional warrants which will remain valid until December 1, 1946. According to the registration statement the company on Dec. 14, 1945, will redeem all of its $2,625,000 3¼% sinking fund debentures, and will call for redemption all its 5% cumulative preferred.

The offering price of the new preferred will be filed by amendment.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., head the underwriting group.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of its $5 cumulative preferred stock and $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is $103 per share.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

NEW YORK DOCK CO. on Dec. 5 filed a registration statement for $12,000,000 first mortgage 3½% bonds due Dec. 15, 1970.

Details—See issue of Dec. 13.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group will be headed by Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.

Details—See issue of Nov. 29.

Offering—The price to the public is $10 per share.

Underwriters—None. The securities are being offered by the corporation.

O'SULLIVAN RUBBER CORP. on Nov. 26 filed a registration statement for 63,000 shares of common without par value, 6,000 shares of 5% cumulative preferred, par $100 and $500,000 4% first mortgage bonds. Of the common stock registered, 58,000 shares are issued and outstanding and are being sold by Victor Products Corp.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment. The underwriter will purchase the securities at the following prices: bonds at 95%, preferred stock at $92 per share and common stock at $4.50 per share.

Underwriters—The principal underwriter is C. F. Cassell & Co., Charlottesville, Va. The underwriter has agreed to purchase from the company 5,000 shares of common, 6,000 shares of preferred and $500,000 of 4% first mortgage bonds, and has also entered into an agreement to purchase 58,000 shares of common from Victor Products Corp.

THE PANTASOTE CO. on Nov. 9 filed a registration statement for 100,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is $5.75 per share.

Underwriters—Van Alstyne, Noel & Co., heads the underwriting group.

PARKS AIRCRAFT SALES & SERVICE, INC., on Nov. 30 filed a registration statement for 457,020 shares of common stock, par $1.

Details—See issue of Dec. 6.

Offering—The stock will be offered first to stockholders (except Parks Air College, Inc.), on a basis of three shares for each one then owned, and to the stockholders of Parks Air College, Inc., on the basis of 1.75 shares for each share of Parks Air College then owned. The offering price is $3.27 a share.

Underwriters — No underwriting — The stock is being offered solely by the company.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

SEATTLE GAS CO. on Nov. 28 filed a registration statement for $4,800,000 first mortgage bonds due Jan. 1, 1976. The interest rate will be filed by amendment.

Details—See issue of Dec. 6.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of the underwriters filed by amendment.

STATE STREET INVESTMENT CORP. on Nov. 26 filed a registration statement for 123,411 shares (additional) of no par common stock, and stock purchase warrants entitling the bearers to subscribe in the aggregate to said 123,411 shares of common stock, to be given to issuer's stockholders of record at the close of business on Dec. 15, 1945. In addition 34,113 shares already issued on Aug. 22, 1944, to be registered to permit the re-sale thereof when and as reacquired by issuer.

Details—See issue of Nov. 29.

Offering — Initial offering of 123,411 shares expected to be made on or about Dec. 24, 1945, through the issuance of stock purchase warrants to stockholders.

Underwriters—None.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.

Details—See issue of Nov. 29.

Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.

Underwriter — George F. Breen, New York, is named underwriter.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Details—See issue of Nov. 29.

Offering—The 20,392.8 shares of second preferred are being offered to the holders of common stock, at the rate of two shares of second preferred for each 15 shares of common held, at $100 per share. Navajo Corporation has agreed to purchase all of the unsubscribed shares at $100 without any discount or commission. Navajo states it will purchase the unsubscribed shares for investment, and not for distribution to the public.

Underwriters—None mentioned.

WESTERN AIR LINES, INC., on Oct. 29 filed a registration statement for 197,876 shares of common stock, par $1.

Offering—Company will offer warrants

Truman's Proposal No Remedy

(Continued from page 3136)

from the *Statistical Abstract of the U. S. for 1943,* pp. 455-457:

	Averages 1921-25	Averages 1936-40
Per Cent of Stock-Paying Dividends	62.0	35.8
Per Cent Dividends Paid on All Stock Outstanding	4.39	2.02
Return on Total Investment in R.R.'s (per cent)	4.12	2.30
Miles of Railway under Receivership or Trusteeship	13,687	73,963

Staggering Losses Resulted

The above figures show that what happened to the railway investors during the 15-year interim was that income per-dollar-invested was reduced almost half. At the close of the period, companies owning nearly a third of the entire railway mileage of the country were bankrupt.

These declines in earnings were, of course, reflected in the values of the railway securities. In the 1921-25 period, the average price per share of the 25 railroad stocks included in the New York Times Index was $65.08. In the period 1946-40, this average had dropped to $28.35, a decline of 56%.[1] In the first of the periods just mentioned the total par value of railway stock outstanding averaged slightly more than $9.13 billion. The indications are that the average price of the stocks in the New York Times list was not higher than the average market value of all shares outstanding. If this is true, the total market value of railway stocks outstanding in 1921-35 was probably around $6 billion and the shrinkage in this value between then and the 1936-40 period was at least $3 billion.[2]

Moreover, between the beginning of 1921 and the end of 1940 railway stocks and bonds having a par value of $7¾ billion were placed in the hands of receivers or trustees.[3]

Employees Did Not Benefit

While the average citizen might doubt that the Railway Labor Act had helped the railway investors, he would take it for granted that it had greatly benefited the employees. As a matter of fact, in this period of declining prices, hourly earnings of employees rose enough to lift real wages 42%.

	Averages 1921-25	Averages 1936-40
Average pay per hour[4]	$0.629	$0.730
"Cost of living" index[5] (1935-9 base)	123.4	100.4
Real pay per hour in in 1935-39 dollars	$0.509	$0.725
Real pay per hour (index)	100.	142.

This was, of course, fine for the man who kept his job, but higher pay per hour meant higher transportation expenses, especially when higher rates of pay were accompanied by "feather-bedding" practices instead of by increased efficiency on the part of the average worker. Higher operating expenses greatly hampered the railways in meeting the growing competition of ships, buses, trucks, pipe lines, and electric power lines. Therefore, despite marked improvements in tracks and equipment, traffic was lost to competitors, and net revenues shrunk. Fewer men were needed, hence the excess workers were laid off and had either to find work in other industries or become paupers. The total pay roll declined sharply. This meant that the usefulness of the railroads as a source of income for American workingmen was greatly diminished. The facts are shown by the following figures:[6]

	Averages 1921-25	Averages 1936-40
Revenue from Railway Operations (millions)	$6,004	$4,071
Number of Employees (thousands)	1,772	1,047
Total Pay of Employees (millions) (Cl. 1 Rds.)	$2,820	$1,882

Unemployment Will Spread

In the light of our experience with the Railway Labor Act, what can be expected in the automobile industry if President Truman appoints a fact-finding Mediation Board? The CIO demands a 30% wage rate increase. The Board will meet, listen to the evidence, and grant a 15% increase. The OPA will allow the manufacturers to advance prices enough to cover the higher wage costs. Since the income of the buying public will not stretch, higher prices for cars will mean fewer sales, smaller production, and less employment in automobile factories.

A few months hence, the CIO will again demand a 30% wage rate increase. The Mediation Board will allow a 15% increase. Again sales will fall off, and workers will lose their jobs.

More Inflation to Follow

What has been happening in the motor car field will, of course, be paralleled by events in other great industries. Unemployment will become the problem of the day. CIO will declare that free enterprise has failed and will demand that the Government take over the major industries.

In the meantime, the Government, in an endeavor to furnish employment, will be inflating the currency—thereby robbing the thrifty of their investments and paving the way for disaster.

No doubt, asking for legislation authorizing the appointment of fact-finding Mediation Boards, President Truman has been actuated by a most commendable desire to find a practical way to settle labor disputes. The crucial fact which he overlooks is that no Mediation Board, regardless of the ability, patriotism, and honesty of the men composing it, will be able to arrive at that particular wage rate which will balance the supply of labor and the demand for it. The balancing done by competition is the only way to arrive at such a wage rate and secure full employment while retaining individual freedom. The job is beyond the capacity of mediators.

Apply the Real Remedy

Therefore, the President would act more wisely if he would ask Congress to repeal the Wagner Act, and make labor subject to the anti-monopoly provisions of the Sherman Anti-Trust Law, thus restoring free competition in the labor market. If he secured such legislation, and then used all the powers of Government to prevent monopoly and to protect freedom of contract, the right to work where and when one pleased, and the right of owners to have their property protected from destruction or molestation, he would find it entirely unnecessary for Government officials to worry about wage rates. Competition would assure fair wages and far fuller employment than can ever be secured either under the rule of the CIO or AFL or under Governmental fixation of wage rates and working conditions.

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[1] Statistical Abstract for 1943, page 373.
[2] Ibid. pages 455-56.
[3] Ibid. pages 455-56.
[4] Statistical Abstract of the U.S. for 1943, p. 454.
[5] Ibid. pp. 404-5.

[6] Statistical Abstract of the U.S. for 1943, pp. 454 and 462.

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to shareholders for the purchase of 102,488½ shares at $20 a share. They will be permitted to buy one share for each four shares held. An additional 19,077 shares will be offered through options to employees and others at $20 a share.

An additional 76,310 shares will be offered to employees and officers at $16.50 per share.

Underwriters—It is not contemplated that the issue will be underwritten.

Offering Postponed—The company has postponed the offering.

Says Deflation Fear Is Far-Fetched

(Continued from page 3165)

planned in the Authority's $116,390,000 schedule would mean, the Mayor said, that "the whole program would be shattered to smithereens."

The question is, how many other worthwhile projects throughout the country may be "shattered to smithereens" if inflationary forces are allowed to get out of hand? Clearly, occurrences of this kind are not going to add anything to purchasing power, nor (to repeat the President's phrase) are they "going to do anybody any good—labor, business, agriculture, or the general public."

Lower Prices a Source of Purchasing Power

Finally, in all the talk about purchasing power, it should be remembered that purchasing power can be increased by lowering prices as well as by raising wages. Moreover, whereas the purchasing power advantages that flow from wage increases are limited to the groups affected, those which flow from price reductions are spread over the entire population wherever there is a buyer of the product.

What happened in the automobile industry in the '20s is the classic example. There the benefits of rapidly improving technology were shared both with labor and with the public. Though the industry was a leader in paying high wages to its workers, nevertheless a substantial part of the economies resulting from manufacturing progress was passed on to the motor vehicle buyer in the shape of a cheaper, better car.

Everyone recalls what happened to automobile prices and the quality of the product, and what it did for the country. It put America literally on wheels, and wrought tremendous changes in our way of living. And no group benefited more than labor. One has but to glance into the motor car parking lot of any great industrial establishment to see the evidence.

Never, however, could all this have come about under a labor program that recognizes increased purchasing power only in higher wages and would monopolize in wage advances the gains resulting from technical advance. Had the automobile industry been forced to operate on this principle over the past 50 years, we would still be driving around in horse and buggies.

Adjournment of First Session of 79th Congress; Legislation Enacted—Measures Pending

(Continued from page 3135)

and past year allotments that had not been used.

Extended the draft law until next May 15.

Raised the national debt limit to $300 billion.

Extended price controls until the middle of 1946.

Rewrote the G. I. Bill of Rights.

Cut income taxes and ordered repeal of the excess profits tax Jan. 1, 1946.

Approved a governmental reorganization plan in response to a request from President Truman.

Simplified administration of surplus property disposal in accord with another Presidential entreaty.

Compromised with the President on return of employment service offices to the states by ordering their return around next April 1 instead of retaining them under Federal control until middle of 1947 as Truman wanted.

Voted its 435 House members annual expense allowances of $2,500 each, which the Senate declined to approve for itself.

Pending Legislation

But Congress put off until next year action on:

The multi-billion British loan proposal.

Pensions and pay raises for Congressmen.

Universal military training.

Merger of the armed services—which Mr. Truman asked in his 10th message yesterday.

So-called "full employment" legislation.

Creation of fact-finding machinery to handle major labor disputes.

Liberalization of unemployment compensation rates.

Establishment of a permanent Fair Employment Practice Committee.

Increases in current statutory minimum wages.

Disposal of war-created merchant shipping surpluses, and legislation setting up domestic control over atomic energy.

Many of those matters were the subjects of specific recommendations in one or more of Mr. Truman's 10 messages.

The lawmakers rejected the President's bid for new labor legislation by Christmas; months earlier they refused to enact a work-or-fight law despite White House insistence, and they didn't get out of committees a Truman request for repeal of the Johnson act restricting loans to foreign nations in default of their debts.

The House passed but the Senate shelved a proposal that both branches of Congress, rather than two-thirds of the Senate only, ratify treaties.

The same fate befell a suggestion of Mr. Truman that the Speaker of the House rather than the Secretary of State become President should both the President and Vice-President die.

The House refused to go along with the Senate and with the President on unemployment compensation law revisions, and it toned down sharply the so-called full-employment bill the Senate passed. A final verdict was left until next year, when conferees will write a compromise version.

On Paine, Webber Staff

MINNEAPOLIS, MINN.—**David J. Hanscom** and **John F. Steele** have rejoined **Paine, Webber, Jackson & Curtis,** Rand Tower, after returning from service in the armed forces.

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Market Outlook

(Continued from page 3131)

To visualize the situation we're heading into all one has to do is to read the papers. Already stories of alleged torture and murder in the business world come from far and near and from all different kinds of firms turning out everything from paint brushes to popsicles, to the effect that price ceilings are ruining trade. One victim this past week, for instance, testified that price ceilings brought production in his plant down to 51% of capacity. The testimony will become more rather than less vociferous. All of which merely tends to emphasize the inflationary aspects of the present situation.

Debt and Money

Basic factor in the picture is the rise in debt which, in turn, accounts for the vast available money supply.

Take, for instance, this country's public and private debt which now stands at nearly $400 billions. This is double that of 1941. As shocking as this may seem it hardly presents the true picture since total private debt today, standing at $141 billions, is practically unchanged from $136 billions in 1941. Actually, were it not for an increase in the short term private debt to finance swollen war inventories, private debt would be lower than before the war. The more significant fact, however, is that public debt, which was $28 billions in 1929 and $64 billions in 1941, stands at present around $252 billions. This creation of huge Government debt has resulted in the creation of a huge supply of money.

Large scale debt retirement is not in sight. Today we are faced with financing the world. The $3¾ billions credit to Britain is merely the beginning. Next in line will be Russia, reportedly asking for $6 billions, Italy $1½ billions, France and Netherlands $1 billion each, to say nothing of huge credits slated for China. Even if this money isn't spent directly in this country by the direct beneficiaries, a large part of it will eventually be spent here by the indirect recipients. These large foreign loans will require a special approval by Congress but there are other agencies with ready dollars to spend, such as the Export-Import Bank with $3½ billions, the monetary fund (Bretton Woods) with about $8 billions.

Clearly, U. S. exports seem bound to achieve a record peacetime volume once reconversion and labor bottlenecks are eliminated. Surely the implication of the debt situation and the expanded money supply with the prospect of a further substantial increase makes the potential deflationary aspects of the present situation seem quite unrealistic.

Supply and Demand

Look, for instance, at the following figures if you want to see one reason why stock prices have been moving up rather consistently:

ANNUAL AVERAGE
(Millions of Dollars)

October	Millions N.Y.S.E. Listed Shrs.	Money in Circulation	Time & Demand Deposits	Mkt. Value Listed Stocks	Mkt. Value per Listed Sh.
1945	1,573	28,030	48,530	69,560	$44.10
1944	1,491	22,770	41,610	51,650	34.65
1943	1,478	17,840	37,700	46,600	31.60
1942	1,470	12,880	31,540	35,080	23.90
1941	1,462	9,647	29,290	39,280	26.60
1940	1,450	7,926	25,820	42,430	29.20
1939	1,429	7,088	22,560	44,180	30.80
1938	1,425	6,521	20,230	41,420	29.10
1937	1,394	6,471	20,430	53,840	38.60
1929	979.8	4,773	20,180	74,410	76.00

No particular explanation is required as to the figures in the foregoing table as they are self-explanatory. Briefly, the number of shares listed on the New York Stock Exchange has remained fairly constant for a long period of time, increasing from only 1,394 millions in 1937 to 1,573 millions (12.8%) in October 1945, but money in circulation in the same period increased from $6,471 millions to $28,030 millions (334%) and time and demand deposits from $20,430 millions to $48,530 millions (137%) and market value of listed securities from $53,840 millions to about $69,560 millions (29.2%). Contrasting this situation with 1929, it is interesting to observe in that year the total number of shares listed on the Stock Exchange was 979.8 millions and money in circulation was $4,773 millions and total time and demand deposits $20,180 millions and market value of securities $74,410 millions. It should be pointed out in this respect that prices today are not as close to 1929 levels as the total market value of listed securities would indicate. There are, it will be noted, many more shares outstanding today than in 1929. Making allowance for this, it will be observed that the value of a listed share on the New York Stock Exchange in 1929 was around $76.00. In October 1945 it was $44.10 and in 1937 at the top of the market it was $45.60.

The stock market thus far has been a rather tame affair in struggling back to around the highs of 1937 but the figures, if they mean anything, certainly indicate there is plenty of dynamite in the market situation—and 100% margins or upping the capital gains tax rate or lengthening the holding period won't remove the dynamite—it'll simply mix in a little more TNT.

Expects 50% Gain in New Construction Dollar Volume in 1946

Even in the face of present retarding factors, F. W. Dodge Corporation, fact-finding organization for the construction industry, estimates total dollar volume of new construction next year as 50% greater than in 1945 in the 37 States east of the Rocky Mountains. The estimate for all construction in the 37 eastern States is $4,750,000,000 against $3,160,000,000 expected for 1945 on the basis of the record for the first ten months of this year.

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4450 New York, N. Y., Thursday, December 27, 1945 Price 60 Cents a Copy

Observations . . . .

By A. WILFRED MAY

Notes of the swan song of the 1945 stock market boom. (a) So great has been the speculation in its low-priced metal shares that the Salt Lake City Stock Exchange is forced to curtail its trading hours for two weeks. (b) American buyers are rampant in cinema, television, and tin shares on the London market, despite the monetary exchange difficulties. (c) The New York market violently fluctuates pursuant to the analyses broadcast by that great financial economist, Mr. Walter Winchell. Last week stock prices were precipitated into a 3½-point break by his prononcement that "insiders in New York expect a very sharp decline in the stock market before the holidays. Suckers"; while this week's market opened with a sharp rally on his subsequent reassuring prediction that his previously-named "suckers" will make a lot of money after all!

* * * *

In comparing the bull stock markets of 1945 and 1937, the current point of departure in the effects thereon of labor's as well as government's policy respecting the price level, must be strongly emphasized. It is true that labor in the earlier boom period (with the sit-down strike) was, as now, fiercely battling for higher wages. **But labor leaders expressed no real concern for a stable ceiling on prices.** Now, in contrast, the full political strength of the C.I.O. is fighting against any price rise.

And the present OPA activities of course mark a complete departure from the earlier period when, excepting for a casual press conference remark of the President in April, terming the copper price excessive, the government followed no continuing policy of sitting on the price level.

The 1937 experience may well warrant the deduction that the fight for price ceilings will, before very long, become superfluous. For as soon as the country's vast productive forces were given a free rein by labor, prices automatically went into a major decline. Perhaps we will soon be seeking price **floors** instead of ceilings, for general as well as stock prices.

* * * *

1945 re-incarnation of the 1920 workman's "20 Silk-Shirt Era": a man's toilet article set as advertised by a Fifth Avenue leather shop—price $2,000.

* * * *

Secretary Vinson will soon have to make up his mind as to where

(Continued on page 3179)

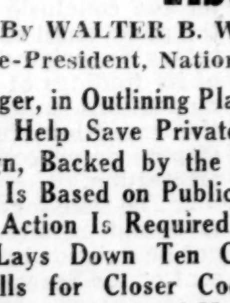
Management's Responsibility to Itself

By WALTER B. WEISENBURGER*

Executive Vice-President, National Association of Manufacturers

Mr. Weisenburger, in Outlining Plans of NAM Policy, Says Its Prime Purpose Is to Help Save Private Enterprise. Advocates a Publicity Campaign, Backed by the Full Strength of Business Manpower, Which Is Based on Public Welfare and Not Class Interest. Says Positive Action Is Required to Combat Attacks on the Profit System and Lays Down Ten Commandments for the Business Manager. Calls for Closer Cooperation With the Government and a Larger Participation of Management in Shaping Legislation. Decries Attitude of Defeatism and Apathy and Urges Crusade for Higher Goals of Human Effort.

My principal difficulty in talking to you each year is that there are too many things I would like to say. That is especially true this year.



W. B. Weisenburger

I would like to tell you how NAM and the NIIC during the past year have been thoroughly reorganized into a more compact, better staffed, and highly coordinated fighting unit.

I would like to tell you how your Board has changed the whole Association format and has put public relations as a top policy function, headed by outstanding NAM principals like Colby Chester and Cloud Wampler. Our Board has done this in the conviction that it's not just what is said, but what management actually does which is dramatic and publicly satisfying.

I would like to tell you how Holcombe Parkes has come in to head the Public Relations division, and how his first big policy job at the Labor-Management Conference has been a great contribution toward equipping industrialists for the political give-and-take and the public relations

---

*An address by Mr. Weisenburger at the Golden Anniversary Congress of American Industry, Waldorf Astoria Hotel, New York City, December 5, 1945.

(Continued on page 3176)

The Farm Situation

By ROGER W. BABSON

Calling Attention to Generally High Levels of 1945 Crops, Mr. Babson Notes That the Farm Income of Over $20 Billions May Mark a Peak During the Foreseeable Future. Sees in Situation a Large Market for Agricultural Machinery and Goods in Rural Areas and Warns That Farm Land Boom Will Not Last Forever.

Roger W. Babson

Some weeks ago I commented in this column on the 1945 domestic crop outlook. At that time I predicted another total bumper production. Now the final figures, in most stances, show I was 100% correct. Farmers' barns, bins, and other storage facilities literally are bulging with the harvest. In fact, the total crop out-turn is only a little below the record productions of 1942 and 1944.

New Highs Chalked Up

Above-average yields were the rule for wheat, oats, rice, barley, sweet potatoes, buckwheat, tobacco, sugarcane, peaches, pears, oranges, grapefruit, almonds, hops, and truck crops. Near-record crops are reported for hay, Irish potatoes, flaxseed, soybeans, peanuts, pecans, walnuts, and grapes. The corn and sorghum grain crops also were lusty.

All is not so rosy, however, as the paragraph above might seem to indicate. Housewives interested in fall and spring housecleaning should take note that the broomcorn crop is the smallest since 1939! Lovers of apples and sour cherries will have to get by with the smallest crops on record! Textile manufacturers seeking

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*These reports not available this week.

The Financial Situation

The current "fact-finding" farce became one degree more farcical last week when the President solemnly asserted that "it is essential to the fulfillment of its duty that the (fact-finding) board examine the books of the employer. . . . Ability to pay is always relevant to the issue of increasing wages."

"Fact-finding" has long been a term to conjure with in this country. The American people have been consistently deluded (or deluded themselves) with it. Repeatedly, indeed regularly, officials and others upon whom responsibility rested have, when faced by politically troublesome issues involving fundamentals, sought to escape by pretending or convincing themselves that all that was required was a determination of "fact." All too often this "artful dodge" has "worked"—in the sense that the rank and file of the people have been lulled into acceptance of this general notion which for the most part has merely afforded opportunity for escape by the route of least political resistance.

The Buncombe "Works"

Nowhere has such a scheme "worked" more successfully or over so long a period of time as in the case of the railroads—or at greater expense to the public. How often are we told by politicians, reformers and their fellow travelers that we have "solved" the problem of dealing with labor disputes in the railroad industry? How often have we heard the remark that thanks to the "system" we never have strikes of consequence in that branch of the economy? And, how widely must we all admit that this foolish notion is accepted among the rank and file of the people? Yet the fact is that "the railroad problem,"

(Continued on page 3172)

From Washington Ahead of the News

By CARLISLE BARGERON

We Americans have long prided ourselves on our sense of humor and more or less looked down upon other people for lacking it. But the European statesmen must be laughing all over themselves for saddling the headquarters for the UNO on us. Insofar as we are concerned, that is, the American people, it loses all of its mystery, its European aristocracy and therefore its importance. It is our guess that after a few sessions it will be difficult to get outstanding American delegates to serve upon it. Certainly it will be a tremendous blow to the party chairmen who had looked upon it as a splendid agency for the placing of retired industrialists with socially ambitious wives, who would pay handsomely to the party campaign coffers for the privilege of serving. It will come to be simply a haven for political lame ducks such as the Joint Boundary Commission between this country and Canada, whose members, formerly getting $10,000 a year, had only to meet once or twice a year and agree that the boundary was still there.

Carlisle Bargeron

Indeed, it starts out pretty much that way, with such stellar world statesmen as John Townsend, Frank Walker and Mrs. Roosevelt. All of these are political lame ducks, so to speak, though no one of them wants the job for money. They wanted it to maintain a place at the "official" dinner table. They had assumed that the UNO capital would be at some fashionable European place. If it had to be in this country, Washington would have suited them. Ever since Townsend was defeated for the Senate he has hung on to the chairmanship of the Republican Senatorial Campaign Committee. This is the first time that any one other than a sitting Senator has held the post. The explanation was that John still wants an excuse to hang around Washington.

Through his association with a couple of very wealthy families, particularly the duPonts, he could produce campaign funds. But now, the UNO is not to have the im-

(Continued on page 3178)

Truman Favors Fact-Finding Authority to Examine Books

Holds Question of Earnings Is Relevant in Fixing Wages and Expresses Hope That Both Parties to Controversy Will Cooperate. General Motors Counsel Objects on Ground Data Would Be Used "for Hungry Eyes of Its Competitors."

At his press conference on Dec. 20, President Harry S. Truman issued a statement in which he expressed himself in favor of granting fact-finding Commissions in wage disputes, authority to examine the books of both corporations and unions and took the view that net earnings of a business are relevant to the question of determining wage rates. An opposition statement was immediately issued by Walter Gordon Merritt Counsel for General Motors, who contended that to open the books of the company would give figures and estimates to competitors and that General Motors Company "does not propose to lay on the bargaining table with a monopoly union that also, to an important extent, controls the operations of its competitors."

President Truman

President's Statement

The President's statement, as reported by the Associated Press, was as follows:

In appointing a fact-finding board in an industrial dispute where one of the questions at issue is wages, it is essential to a fulfillment of its duty that the board have the authority, whenever it deems it necessary, to examine the books of the employer. That authority is essential to enable the board to determine the ability of the employer to pay an increase in wages where such ability is in question. Ability to pay is always one of the facts relevant to the issue of an increase in wages.

This does not mean that the Government or its fact-finding board is going to endeavor to fix a rate of return for the employer. It does mean, however, that since wages are paid out of earnings, the question of earnings is relevant.

The detailed information obtained from the books of an employer should not be made public. Such a disclosure would place the employer at a disadvantage with respect to his competitors. But the fact-finding board should unquestionably have the right to examine the employer's books where it deems it necessary in order to make up its own mind as to whether a demand for increase is justified and to make public all findings based on such information that it deems relevant to the controversy.

That is one of the things I meant when I stated in my message of Dec. 3, 1945, to the Congress:

"The board should be . . . directed to make a thorough investigation of all the facts which it deems relevant in the controversy."

This is nothing new. There are many instances where the books of corporations are opened for inspection to representatives of the State and Federal Governments and where the information so obtained is used solely by such officials to carry out their functions.

To confer the right to examine books is one of the main purposes of granting subpoena power to the fact-finding boards. I trust that the Congress, which is the only body authorized to grant such power, will do so quickly.

In view of the public interest involved it would be highly unfortunate if any party to a dispute should refuse to cooperate with a fact-finding board.

General Motors Statement

The reply made by Walter Gordon Merritt to the President's attitude is reported to have been in the following language:

That leads UAW to this insupportable contention and dilemma.

That General Motors should place on the table here for the hungry eyes of its competitors those very figures and estimates which will be the basis of private hearings between management and OPA pursuant to the laws of the United States.

That data must necessarily include forecasts, projections, guesses at the cost of raw materials where future prices are speculative because of strikes actual or potential. These facts—if they be facts—these computations, which involve the gift of prophecy, the General Motors Company does not propose to lay on the bargaining table with a monopoly union that also, to an important extent, controls the operations of its competitors.

Nor does it propose to submit any issue within the jurisdiction of OPA to this fact-finding board.

The people of the United States, acting through their elected representatives, have lodged the responsibility for such questions as profits and prices, and the protection of the rights of the people in respect thereto, with the OPA. and I am aware of no public clamor that this responsibility be transferred to the UAW or the General Motors Corporation, as the self-appointed guardian of the public interests.

If, as claimed by the union there is ample margin or profit here such as would permit wages to be paid out of line with other wages in this or other industries, the correction, if any is to be furnished by OPA in fixing prices which would permit the benefit to the entire public instead of a small group.

That certainly is the logic of a controlled economy under which we have adopted a price-wage national policy. If the fact-finding board rules otherwise on this vital problem General Motors will withdraw from the proceeding.

There may be those who feel that we should venture into these uncharted seas with labor having a voice in price or profits—there may be those who feel that this is the primrose way; but this corporation believes that such a course is beset with traps and pitfalls and would constitute an impairment of those management functions which made it possible for this country to out-produce its enemies in the war now happily ended.

When the people, through Congress, declare a policy, this company will comply, but it will not voluntarily lead American industry down a trail which it believes should not be followed.

And in this connection we say to this board that in the light of national wage price policy, in the light of our anti-trust policies, which forbid alliances between capital and labor in respect to prices or market controls, we should not be pressed to acquiesce in any other position than we have taken. What this country needs is an understanding of our position, and not a distortion of it.

Defer Fact-Finding Legislation Until Early Next Year

The fact-finding labor disputes legislation which President Truman urged Congress to pass before the Christmas holidays has been set aside by the Senate Labor Committee which decided on Dec. 14 to postpone further hearings until after the first of the year, according to Associated Press Washington advices. Senator Murray (D.-Mont.), Chairman of the committee, said that when hearings were resumed with the reconvening of Congress after the holidays, they were expected to last at least another month. The Administration's fight for passage of the bill was opened on Dec. 12 by Labor Secretary Schwellenbach who declared, according to the New York "Times" in dispatches from Washington, that "the situation is one in which the national interest calls for legislative action." The press advices added:

"Pointing out that a Fact-Finding Board's recommendations would not be enforceable, Mr. Schwellenbach stated that either party would be free to accept or reject the recommendations but that experience had shown 'that compulsion is not necessary in order to secure substantial acceptance of the recommendations of boards such as are proposed in this bill.'

"The 30-day period, he noted, was identical with that in the War Labor Disputes Act, but he asserted that, while in the latter it was designed solely as a cooling-off period, it would in the pending bill be utilized 'to secure affirmative action in the nature of hearings, fact-findings and recommendations which will serve as a basis for the settlement of the dispute rather than as a period of preparation for the beginning of a strike.'"

At the Dec. 14 committee hearings Philip Murray, President of the C.I.O., expressed opposition to the proposed legislation, according to the Associated Press, which quoted him as follows:

"It is not facts that we lack. It is not cooling off that we lack. What is needed is a willingness on the part of the administration to face the facts."

Murray said fact finding boards in labor disputes are unnecessary because the "facts" already are known to various Government agencies. One analysis, by the Office of War Mobilization and Reconversion, he said, "demonstrated that American industry could grant pay increases of 24% and still earn in 1946 profits after taxes more than twice those of prewar years."

Reiterating his contention that "the director of the Office of War Mobilization has attempted to suppress this report" and that various other economic studies by OPA and the Department of Commerce have not been made public, Murray added:

"If it is facts that we seek, why have these governmental agencies attempted to conceal these facts. If it is facts that are needed to solve our current disputes, the Government has only to release the facts already gathered and already in its possession."

Noting that Mr. Truman's plan calls for a "cooling-off" period of 30 days while fact-finding boards are at work, the witness said that before calling a steel strike for January 14, the C. I. O.-United Steel Workers attempted to negotiate for 90 days. And the United Automobile Workers, he added, "thrashed about" for more than 60 days before striking General Motors plants.

"Those workers have cooled off and cooled off until they have been almost frozen out of the picture," Mr. Murray asserted.

Issues Fact Finding Directions

Following Announcement of President's Decision on "Ability to Pay" Factor in Wage Disputes, the Secretary of Labor Lays Down Rules for Conduct of Hearings and Bases on Which Wage Increases May Be Recommended. Says Panel's Final Findings and Recommendations Should Conform With Action Taken by Stabilization Administrator.

Secretary of Labor, Lewis B. Schwellenbach on Dec. 21, within a day after President Harry S. Truman announced that fact-finding commission in connection with labor controversies should take into consideration the net earnings and other "ability to pay" factors in determining their decisions, issued to the Fact-Finding Commission in the oil dispute a series of rules of procedure and directives and a Statement of Policy to be followed. The text of the Secretary's statement follows:

L. B. Schwellenbach

I—Rules for the Conduct of the Hearing

A. Hearing to be public — A public hearing shall be conducted on the merits of the dispute, unless the parties agree to present their case in writing. The record made at such hearing shall include all documents, statements, exhibits and briefs, which may be submitted, together with the stenographic record. The parties shall have the right to attend the hearing with such persons as they desire, and the hearing shall be open to any other person who wishes to attend, including representatives of the press and radio. The panel shall have authority to make whatever reasonable rules are necessary for the conduct of an orderly public hearing. The panel may, with the consent of the parties, exclude persons other than the parties at any time when the expeditious settlement of the dispute so requires.

B. Participation by panel in the hearing—The panel may, on its own initiative, at such hearing, call witnesses and introduce documentary or other evidence, and may participate in the examination of witnesses for the purpose of expediting the hearing or eliciting material facts.

C. Participation by parties in hearing—(1) The interested parties or their representatives shall be given reasonable opportunity (a) to be present in person at every stage of the hearing; (b) to be represented adequately; (c) to present orally or otherwise any material evidence relevant to the issues; (d) to ask questions of the opposing party or a witness relating to evidence offered or statements made by the party or witness at the hearing, unless it is clear that such questions have no material bearing on the credibility of that party or witness or on the issues in the case; (e) to present to the panel oral or written argument on the issues.

D. Stenographic records — An official stenographic record of the proceedings shall be made. A copy of such record shall be available for inspection by the parties.

E. Rules of evidence — The hearing may be conducted informally. The receipt of evidence at the hearing need not be governed by the common law rules of evidence.

F. Facilities available to panel —The panel may during the proceedings consult with the office of the Secretary of Labor or his designated agents for the purpose of obtaining information pertaining to any wage or salary issue. (Such information may include information in the possession of other governmental agencies.)

The personnel and facilities of the Department shall be available to the panel upon request.

G. Requests for the production of evidence—The panel does not have the power of subpoena. It may request the parties to produce any evidence it deems relevant to the issues but such evidence must be obtained upon the voluntary compliance of the parties.

H. Adjournment of hearing to permit direct negotiation—where, in the opinion of the panel, the parties should make further efforts to settle an issue by collective bargaining or, where the parties agree to do so, the panel may recess the hearing to allow the parties to resume direct negotiations for as long a period as they may mutually agree upon or until a date specified by the panel for reconvening of the hearing. Whenever possible the panel shall, at the times of the recess, notify the parties of the date when the panel will reconvene with the parties. If it is not possible to give such notice at the time of recess the parties shall be given at least five days' advance notice of this date of reconvening, unless the exigencies of the situation require shorter notice.

I. Settlement of issue by agreement between parties—If during the proceedings an agreement is reached between the parties with respect to the issues in dispute, they shall be requested to execute a statement in writing to that effect.

J. If during the proceedings a question arises as to the extent of the authority of the panel to inquire into the facts, or as to the interpretation of the order of the Secretary setting up the panel, the panel may recess the hearing and consult with the Secretary or his designated agent for the purpose of obtaining clarification.

K. Findings of fact and recommendations by the panel—1. After the conclusion of the hearing the panel shall submit to the Secretary an original and six copies of its findings of fact and recommendations, unless the parties in the meantime have settled the dispute or agreed to submit it to arbitration.

2. The time for filing findings of fact and recommendations may not be extended except upon consent of the Secretary.

II—Statement of Policy

1. The panel will not limit itself to determining what wage increases, if any, are approvable under the criteria set forth in Executive Order 9651. It will consider also the propriety of wage increases in excess of the criteria under the Executive Order and the wage and salary regulations of the Stabilization Administrator.

2. The panel may recommend a wage increase on either of two bases:

(A) That the wage increase recommended is one which can be paid without any increase in existing price ceilings or in costs to the United States (irrespective as to whether it is approvable in part);

(B) That the wage increase recommended is, in its judgment, approvable under Executive Order 9651 and the wage and salary regulations of the Stabilization Administrator. That is, the increase is of a type which may be used as a basis for an increase in price ceilings or costs to the United States.

3. Increases under 2(A)—In excess of criteria in executive order

(A) If the panel recommends a wage increase on such a basis it may, without reference to governmental stabilization agencies, recommend that the employer place it into effect immediately. The acceptance of such a recommendation by an employer will amount to a waiver of any right to use the wage increase within a six-month period as a basis for seeking price relief so long as the increase has not been approved by the Wage Stabilization Board. An employer could, however, after putting the wage increase into effect still seek approval from the Wage Stabilization Board. If such approval were given the employer could then use that approval as a basis for seeking price relief.

(B) If the panel recommends such an increase, it must satisfy itself that the employers are in a position to absorb the whole increase without any increase in price ceilings.

For example, if the panel should find that an increase of not more than 10 cents per hour could be absorbed without any increase in price ceilings and that a five-cent increase would be approvable under Executive Order 9651, the panel may only recommend a 10-cent increase. It cannot properly recommend a 15-cent increase.

(C) To the extent necessary to satisfy itself that the employers are in a position to absorb a recommended increase, the panel must necessarily inquire into the issue of the employer's ability to pay. Ability to pay is a limitation on and does not necessarily constitute a measure of the amount of a fair increase.

(D) Evidence to be considered with regard to an employer's ability to pay—If employers do not contend that there is an inability to pay the requested wage increase, it is for the panel, nevertheless, to satisfy itself on the basis of evidence satisfactory to it whether any increase which it recommends is absorbable. The panel is free to draw such inferences as it may choose to draw from the employer's failure to produce evidence on this issue. It may, if it wishes, take the union's evidence and such evidence as the panel itself wishes to secure, or it may rely on the failure of the company to contest this issue as an establishment of the fact of ability to pay.

If the panel finds it necessary, in its judgment, to inquire into the issue of ability to pay wage increases without securing price increases, then it is to inquire into the profits and earnings position of the employer. The panel may also inquire into production and other costs where relevant as well as other data bearing on the issue of ability to pay.

OPA Standards Not Sole Guide

In any such inquiry the panel should not be guided solely by the OPA's standards for authorizing price increases as a test of ability to pay. The OPA pricing standards were devised for a different purpose. Such standards may throw light on the question of the employer's ability to pay a wage increase under existing price ceilings, but they should not be used as a controlling test.

For example, the OPA price standards generally measure the need for price increases as a result of increased costs on the basis of whether or not the current earnings of the particular industry have fallen below its peacetime earnings position. If the prewar position was very favorable, the industry may well be able to afford some temporary impairment of that position. If the peacetime earnings position protected by the pricing standards was a relatively unfavorable one, however, it might be unfair to require employers to absorb wage increases down to the point indicated by the applicable pricing standard.

The panel in recommending an increase in excess of the amount which would be approvable under the executive orders and the rules and regulations of the Stabilization Administrator may consider the fact that an employer is free after six months to seek price relief. It ought not, however, to recommend a wage increase which it believes will require the employer after six months to obtain price relief.

4. Increases under 2 (B) — involving price relief—(A) If, during the proceeding, it appears that the question of an increase which may involve price relief is pertinent, the panel in recommending a wage increase on the basis that price relief may or will be necessary is limited to an increase not in excess of the amount approvable for price purposes by the Wage Stabilization Board or other designated wage or salary stabilization agency under the standards laid down in Executive Order 9651 and the wage and salary regulations of the Stabilization Administrator.

Any increase that may be recommended by the panel which is to be used as a basis for seeking price relief must receive the approval of the Wage Stabilization Board. The panel has two alternatives for dealing with this problem. It may secure informal advice through the Secretary's office as to the approvability of a proposed recommendation or the panel may condition its recommendation upon approval of the increase by the Wage Stabilization Board.

(B) If the panel limits its recommendation to a wage increase that is appropriate for price purposes, it may, but is not required to, recommend a wage increase up to the limit approvable under the criteria contained in Executive Order 9651.

(C) If the panel believes, after a consideration of the entire record, that the existing standards for approval of wage or salary increases for price purposes should be broadened, it is free to suggest to the Stabilization Administrator, through the Secretary of Labor, that he consider taking action in accordance with Section 302 (B) of the wage and salary stabilization regulations.

The panel would conform its final findings and recommendations with the action taken by the Stabilization Administrator.

U. S. Urges Trade Barrier Conference

The United States has taken the initiative in an effort to remove restricting tariff barriers and promoting an expanded world trade by inviting fourteen nations to a "roundtable" discussion preparatory to the international trade conference scheduled for next spring or summer. Britain, Russia, France, China, Canada, Brazil, Australia, Cuba, New Zealand, Belguim, Holland, Czechoslovakia, South Africa and India are reported, according to a Washington dispatch of Dec. 13 to the Associated Press, to be the countries invited. The press advices added:

"Countries accepting the American invitation will be those prepared to begin detailed negotiations or steps to promote world trade as agreed to by the British and American governments last week in connection with a projected $4.4 billion credit to England.

"American officials said the proposed roundtable would give the main trading countries a chance to learn each other's attitude more fully before sitting down to the larger international conference."

NAM Elects Wason President for 1946

The National Association of Manufacturers on Dec. 7, elected as its president for 1946 today a man who had worked his way from "biting poverty" and a grocer boy's job to the presidency of a manufacturing company which employs more than 3,000 men.

Robert R. Wason

He is Robert R. Wason, President of Manning, Maxwell and Moore, Inc., New York.

At the same election, the NAM Board named the following roster of 1946 officers:

Chairman of the Board: 1945 NAM President, Ira Mosher, President, Russell Harrington Cutlery Co., Southbridge, Mass.

Chairman of the Executive Committee: 1944 NAM President Robert Gaylord, President, Ingersoll Milling Machine Co., Rockford, Ill.

Chairman of the Finance Committee: 1943 NAM President F. C. Crawford, President, Thompson Products, Inc., Cleveland, Ohio.

Honorary Vice - Presidents: Howard Coonley, Chairman of board, Walworth Co., Inc., New York.

National Vice-Presidents: Ward M. Canaday, Chairman of Board, Willys-Overland Motors, Inc., Toledo, Ohio; Hugh Comer, President & Treasurer, Avondale Mills, Sylacauga, Alabama; C. S. Davis, President, Borg-Warner Corporation, Chicago, Illinois; J. A. Hartley, President, Braun Corporation, Los Angeles, California; B. E. Hutchinson, Chairman of Finance Committee, Chrysler Corporation, Detroit, Mich.; James H. McGraw, Jr., President, McGraw Hill Publishing Company, New York, N. Y.; Clarence Randall Vice-President, Inland Steel Company, Chicago, Illinois; Arthur Walsh, Executive Vice-President, Thomas A. Edison Incorporated, W. Orange, N. J.; Cloud Wampler, President, Carrier Corporation, Syracuse, New York; C. M. Chester, Chairman, Executive Committee, General Foods Corp. New York.

Regional Vice-Presidents: Arthur Batts, President, The Carborundum Company, Niagara Falls, New York; Walter Geist, President, Allis-Chalmers Manufacturing Company, Milwaukee, Wisc.; Noah Dietrich, Executive Vice-President, Hughes Tool Company, Houston, Texas; E. H. Lane, President, The Lane Company, Incorporated, Altavista, Virginia; John Holmes, President, Swift and Company, Chicago, Illinois; Paul B. McKee, President, Portland Gas and Coke Company, Portland, Oregon; William M. Rand, President, Monsanto Chemical Company, St. Louis, Missouri; Theodore F. Smith, President, Oliver Iron and Steel Company, Pittsburgh, Pa.; J. P. Spang, Jr., President, Gillette Safety Razor Company, South Boston, Mass.; E. J. Thomas, President, Goodyear Tire and Rubber Company, Akron, Ohio; Lothair Teetor, President, Perfect Circle Company, Hagerstown, Indiana.

Executive Vice-President: Walter B. Weisenburger; Secretary, Noel Sargent; Treasurer, Kenneth R. Miller.

The State of Trade

The level of industrial output remained unchanged last week at the high level of previous weeks. In the week consumer durable goods output continued to move upward, though snow storms were added to factors already hindering shipments in the New England and the eastern states.

A fractional increase in steel ingot production was noted with electric kilowatt output higher by 1.4%. Improvement occurred in bituminous coal production, the increase being placed at 2.5%, while crude oil output increased by 1%.

The stalemate existing between management and labor in the General Motors Corporation wage dispute was no nearer a solution at the close of the week. The fact-finding body appointed by President Truman to investigate the automotive strike got under way, but ran into difficulty over the question of procedure on the relationship of prices and profits to the subject of wage increases.

The President's fact-finding board was not accorded wholehearted endorsement by General Motors, since the Company expressed the sentiment that it would refuse to present its case before this body if the subject of prices and profits was made pertinent to the board's consideration of the Union's demand for a 30% increase in wages.

As for the President, he went on record as approving the idea of fact-finding bodies examining corporations' books to ascertain their ability to meet wage increases and stated that "ability to pay" was always relevant "to the issue of an increase in wages".

Contemplated expenditures by American industry in the new year give some indication of the prospects of business in the years ahead.

In a survey of expenditures by American industry in 1945 the Securities and Exchange Commission last week reported $5,690,000,000 will be spent next year for new plants and equipment, an amount larger than in any year since 1942. In addition, $600,000,000 will have to be spent on old and unused plants and equipment. These figures add emphasis to the expected boom in business over the next few years.

Steel Industry—Labor and material troubles are giving the steel industry one of its greatest problems since the high wartime peak days, but indications this week point to even greater headaches to come, according to The Iron Age, national metalworking paper in its current review of the steel trade.

Severe winter weather conditions have brought to light the fact that inventories of scrap and coal in the industry are dangerously low. As a direct result of the coal strike in October, steel companies were unable to establish sufficient stockpiles as an insurance against severe winter weather.

The decline in coal stocks with its consequent reduction in the output of coke or blast furnaces has reduced the flow of steel making iron to a point far below requirements.

The lack of hot metal for steel production has caused most companies to scour the country for iron and steel scrap. This emphasis on scrap will make up for the deficiency in pig iron and has caused scrap supplies to be tighter this week than at any time in several years.

The material shortage situation last week forced Carnegie-Illinois Steel Corp. to curtail its operations in the Chicago district by more than 10% below the scheduled grade. While 24-hour shutdowns will be normal this week because of the Christmas holiday the raw material shortages have caused deeper than normal cuts to be made at many steel plants.

Steel ingot output for the country this week is estimated at 67.5%, down 12½ points from last week's revised rate of 80%. A rebound is expected next week but weather conditions and raw material shortages may make it difficult to reach the recent level of 82% capacity.

Customers' fears of a steel strike scheduled for Jan. 14 have caused such a surge of new orders that some mills are literally snowed under. Within the past few days ordering activity has been curtailed because of holiday influences, but previous to that time incoming business depending on the company was running from 10 to 100% ahead of shipments.

It is understood that steel company and union representatives in some districts have met to formulate plans for keeping in operation certain steel mill facilities which, because of their nature, service community utilities. In many steel areas gas from the coke ovens and blast furnaces is furnished to the cities or villages and it is expected that labor-management agreements will be made so as not interfere with such community services.

The steel industry this year is expected to produce about 80 million tons of steel, a decline of more than 9½ million produced in 1944. Most of this decline was the result of war contract cancellations following VE and VJ-Day, as well as curtailments brought about because of the coal strike.

The recent stand of President Truman that fact-finding boards should consider earnings of companies in wage negotiations has brought out into the open the real reason why management was opposed to his plan. So far, no fact-finding board has been named for the steel industry and it is believed in some quarters that efforts towards a settlement of a steel labor controversy or at least a new move for negotiations may cause a trend away from the imminent long and bitter struggle which will result if both parties are not brought closer together.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 62.8% of capacity for the week beginning Dec. 24, compared with 83.0% one week ago, one month ago and one year ago. This represents a decrease of 20.2 points or 24.3% from that of the previous week.

This week's operating rate is equivalent to 1,150,000 tons of steel ingots and castings, and compares with 1,520,300 tons one week ago, 1,529,400 tons one month ago and 1,656,900 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Dec. 15, 1945, total 771,594 cars, the Association of American railroads announced. This was a decrease of 4,781 cars (or 0.6%) below the preceding week and 21,352 cars, of 2.8% above the corresponding week of 1944. Compared with the similar period of 1943, an increase of 12,713 cars or 1.7% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,154,061,000 kwh. in the week ended Dec. 15, 1945, from 4,096.954,000 kwh. in the preceding week. Output for the week ended Dec. 15, 1945, however, was 9.0% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New

(Continued on page 3180)

The Financial Situation

(Continued from first page)

which has been one of the really troublesome difficulties of the country for several decades, is for all practical purposes in reality "the railroad labor problem." We have kept the peace in the railroad industry by endlessly appeasing the brotherhoods until the labor cost of railroad transportation is one of the scandals of the times.

But this "fact-finding" buncombe as it is being applied to current disputes in other industries comes at a time, and in circumstances which render it peculiarly farcical. It is turning in large part—thanks to Mr. Reuther—upon the question as to whether fact-finding "boards" shall have the right to "inspect the books" of employers involved in labor disputes. The impression is given—and, so far as Mr. Reuther and his associates are concerned, by no mere coincidence — that surprising, even shocking, facts would come to light in such an inspection. But what nonsense is this? How in heaven's name could these large industrial organizations directly involved in these matters keep any such facts secret in this day and time?

Dark Charges?

Does Mr. Reuther mean to bring dark charges of incompetency and worse against virtually every element in the business world, except the labor unions, and against the Federal Government itself? Certainly the President can scarcely have any such intention. Yet how can these innuendoes be consistent with any other position, and how else could any need for yet another "inspection of the books" of these employers of labor be established? In the first place, as every one who knows anything at all about the situation is well aware, most of the industrial corporations immediately involved at present have long been issuing outstandingly informative reports of their operations to their shareholders and to the public. These reports have been regularly audited by the best accounting firms in the country. In the second place, for more than 10 years they have been under the necessity of meeting the requirements of the Securities and Exchange Commission under the stringent penalties of the two securities acts.

For even a longer period of time they have been required to file the most exacting reports with the Treasury Department and to pay taxes computed from the data therein. These taxes in recent years have taken much the larger part of the earnings as reported to the Treasury. Now if, as charged both openly and by innuendo, these corporations have somehow managed to keep much larger profits for themselves than is suspected, then they have been hoodwinking the Treasury. There is no escape from such a conclusion. Yet it would appear unlikely that even Mr. Reuther believes that anything of the sort has been taking place. But the story is not yet even half told. These corporations during the past two or three years have been primarily engaged in producing for the Government of the United States which under its so-called renegotiation arrangements was continuously, and is still engaged in, studying the operating records of these very same corporations with a view to taking back anything in the nature of abnormal profits made during the war.

Also the OPA

There is also the OPA and Mr. Bowles. Detailed data have been placed in their hands in order that they might prevent producers from demanding too high prices from the public—which despite all official denials is but another way of saying "prevent producers from making 'unwarranted' profits. "On the basis of full access to the records, this agency has but recently fixed ceiling prices on most of the products of the motor industry—prices which are supposed to leave but a "reasonable" profit to the producers with wages at the level now obtaining. Evidently, any "scandal" of the type hinted at by the labor unions as regards the profits of these corporations, indeed anything more than or different from what is already known or reasonably to be inferred about their financial situation, must, therefore, of necessity involve the OPA as well as the Treasury and procurement agencies of the armed forces of the nation.

But apart from all this, there are absurdities and dangers in the use of the profits of individual enterprises as a measure of wage rates. Are the unions ready to accept one wage scale for the unprofitable or almost unprofitable employer, another for the moderately profitable, and still others for other employers measured by the "ability to pay" principle? Of course every industry is composed of individual enterprises with widely differing profit margins — and profit margins which in each individual case vary both absolutely and with reference to other enterprises from year to year. Mr. Reuther—and for that matter the others, including the President—might at least inform us precisely what bearing profit rates should have upon wage rates.

What Is Demanded

Of course, determination of wage rates for an entire industry on the basis of the earnings of the most profitable enterprises in it would be absurd on its face. It would simply wipe out a very large part of the industry and proportionately curtail production. If what the unions want is a substantial share of those earnings which come to the more profitable enterprises as a result of their superior management or similar causes one must naturally wonder what incentive the grant of the unions' demand would leave to encourage better management.

These are all facts and thoughts to which the American public would do well to direct its attention at this time, but the truth of the matter is that the profits of the past few years afford virtually no indication of what any of these companies can pay in wages during the next few years. We have just emerged, or are even still emerging, from a highly abnormal war economy to a postwar peace period the precise nature of which is difficult to foresee. The business executive who the other day told Mr. Reuther that his company's products were priced "on hope" was telling the precise truth —and certainly never more so than at the present moment. The same, of course, is true of any wage rate which any enterprise undertakes to pay to its employees.

This is no time for more of this "fact-finding" buncombe.

And would the unions be willing to accept lower wages from any enterprise which in the future suffered sharp reductions in its profits?

SEC Amends Ruling Making Exemptions

The Securities and Exchange Commission recently announced that it has amended Rule X-12A-1 under the Securities Exchange Act of 1934. The Commission states that "the present rule temporarily exempts from registration under the Act securities of banks as to which temporary registration expired on June 30, 1935, securities issued in exchange for or resulting from a modification of any securities of banks exempted from registration by the rule, and common stock issued as a stock dividend on stock of the same class exempted from registration by the Rule." "The amendment enlarges the third category of exempt securities," according to the SEC, "by providing that any additional shares of common stock (whether issued as a stock dividend or otherwise) shall be exempt under the rule if the issuer has common stock of the same class so exempted from registration." The Commission in its advices Dec. 5 added:

"The amendment also removes from the rule any reference to securities of bank holding companies since the exemption of such securities under the rule has expired."

Doughton Sees No Further Tax Cuts Until Budget Is Balanced

Declaring that he can see no justification for further substantial tax cuts, until the National budget is balanced, Representative Doughton (Democrat) of North Carolina, at a news conference Dec. 19, in answer to a question as to when he expected to see a balanced budget, replied that "you can't tell what Congress will do. If Congress just keeps on making appropriations and increasing peacetime expenditures, we just won't have a balanced budget."

Associated Press advices from Washington from which we quote, added:

He said he could not see how the Government can continue indefinitely to market bonds, unless the budget is balanced. However, Mr. Doughton did see a prospect that Congress might put through a bill in 1946 reducing the high wartime excise taxes on such so-called luxuries as furs, liquor, luggage, jewelry and cosmetics. He did not say what date such a cutback might take place, but surmised that it might be in 1947.

According to advices to the New York "Journal of Commerce" from its Washington Bureau on Dec. 19 Representative Doughton said his committee plans to begin work on a new tax bill next March or April, but he warned that the outlook for any substantial tax reductions in the tax burden is anything but promising.

The "Journal of Commerce" advices added:

Questioning of the Committee Chairman elicited the following information:

1. The Committee will undertake as its first order of business consideration of the Social Security program, with a view to putting it upon a sound basis for the next ten years.

2. The Committee's staff of experts has been studying a mass of data on co-operatives and other tax-free organizations to determine whether any action is warranted. Numerous complaints from business men on the alleged advantages enjoyed by these tax-free organizations have reached the committee, Mr. Doughton declared, but how much justification there is to these complaints is yet to be established.

3. Inasmuch as "both corporations" and individuals obtained relief in the recent tax bill, it is improbable that the committee will give any consideration to immediate further income tax cuts. However, the Committee, in line with its set program, will continue to study simplification of both individual and corporate tax laws.

4. Substantial over-all tax cuts will probably not be made until a balanced budget has been achieved. Mr. Doughton declined to hazard a guess when that would be, noting that so long as Congress continues to vote large appropriations the day of the balanced budget is inevitably deferred.

Labor Dept. Reports on Hrs. and Earns. in Sept.

Gross average hourly earnings for all manufacturing have dropped below $1 for the first time since December 1943, reflecting a drop of four cents per hour between August and September for workers in the heavy industries, as extra shift and overtime pay disappeared, the Bureau of Labor Statistics of the Department of Labor reported on Nov. 26. Preliminary estimates for October indicate a further drop in hourly pay for workers in the durable goods industries, but a slight gain in pay for workers in the light industries, said the Labor Department's advices, which added:

"Average weekly earnings for manufacturing as a whole declined further in September—from $41.75 in August to a level of $40.88—but increased slightly between September and October, according to a preliminary survey. In September, they were about $4.50 per week less than in July.

"Workers in the durable goods group earned almost $2 less per week in September than in August, and $6.75 less than in July. On the other hand, workers in the nondurable goods industries earned $1 more than in August, and only 75 cents less than in July. In September, workers in durable goods industries averaged almost $44 a week; those in the light industries, about $38.

"Drops in weekly pay between August and September were reported in six of the nine major durable goods groups. The largest cut occurred in the transportation equipment group, where production curtailments are still in progress. Automobiles, furniture, and lumber all reported increases in weekly earnings resulting from longer workweeks. In the automobile group, workers put in on the average of 3 hours more per week in September than in August, when an extended Surrender holiday was observed.

"In the civilian goods industries, weekly pay, increased in eight of the 11 groups. In every case, the increase in weekly pay reflected a longer workweek than the very short week in August.

"The average workweek in all manufacturing was 41.4 hours in September—only slightly higher than in August. The observance of Labor Day by most manufacturing industries curbed the increase which was anticipated after the two-day holiday in August. In October, the workweek showed a further increase to a level of slightly under 42 hours per week. There was no apparent difference in the workweek in the heavy or the light industries; both indicated a scheduled workweek of about 44 hours."

Nov. Cotton Consumption

The Census Bureau at Washington on Dec. 18 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of November.

In the month of November, 1945, cotton consumed amounted to 743,450 bales of lint and 83,680 bales of linters, as compared with 759,806 bales of lint and 85,464 bales of linters in October and 836,438 bales of lint and 123,032 bales of linters in November, 1944.

In the four months ending Nov. 30 cotton consumption was 2,944,067 bales of lint and 330,838 bales of linters, which compares with 3,261,577 bales of lint and 497,948 bales of linters in the corresponding period a year ago.

There were 2,202,498 bales of lint and 257,002 bales of linters on hand in consuming establishments on Nov. 30, 1945, which compares with 1,912,212 bales of lint and 206,420 bales of linters on Oct. 31, 1945, and 2,208,291 bales of lint and 232,471 bales of linters on Nov. 30, 1944.

On hand in public storage and at compresses on Nov. 30, 1945, there were 10,623,198 bales of lint and 43,587 bales of linters, which compares with 9,230,766 bales of lint and 29,238 bales of linters on Oct. 31 and 13,174,894 bales of lint and 24,415 bales of linters on Nov. 30, 1944.

There were 21,605,060 cotton spindles active during November, which compares with 21,721,792 cotton spindles active during October, 1945, and with 22,257,040 active cotton spindles during November, 1944.

Administration Policy Toward China

A few hours after General George C. Marshall left by plane for his new post as Ambassador to China, President Truman issued on Dec. 15 a statement of United States policy toward that nation in which he reiterated our government's adherence to a principle of non-interference in the internal management of another country but expressed the fervent desire that opposing forces within China come to an early solution of their differences.

On Dec. 16 it was reported from Chungking that President Truman's statement had been welcomed and that the two contending sides felt that negotiation and settlement of the dispute could be accomplished.

The following was reported by the Associated Press from Washington as the text of Mr. Truman's announcement:

The Government of the United States holds that peace and prosperity of the world in this new and unexplored era ahead depend upon the ability of the sovereign nations to combine for collective security in the United Nations Organization.

It is the firm belief of this Government that a strong, united and democratic China is of the utmost importance to the success of this United Nations Organization and for world peace. A China disorganized and divided either by foreign aggression, such as that undertaken by the Japanese, or by violent internal strife, is an undermining influence to world stability and peace, now and in the future.

The United States Government has long subscribed to the principle that the management of internal affairs is the responsibility of the peoples of the sovereign nations. Events of this century, however, would indicate that a breach of peace anywhere in the world threatens the peace of the entire world. It is thus in the most vital interest of the United States and all the United Nations that the people of China overlook no opportunity to adjust their internal differences promptly by methods of peaceful negotiation.

The Government of the United States believes it essential:

1. That a cessation of hostilities be arranged between the armies of the National Government and the Chinese Communists and other dissident Chinese armed forces for the purpose of completing the return of all China to effective Chinese control, including the immediate evacuation of the Japanese forces.

2. That a national conference of representatives of major political elements be arranged to develop an early solution to the present internal strife—a solution which will bring about the unifications of China.

The United States and the other United Nations have recognized the present National Government of the Republic of China as the only legal Government in China. It is the proper instrument to achieve the abjective of a unified China.

The United States and the United Kingdom by the Cairo declaration in 1943 and the Union of Soviet Socialist Republics by adhering to the Potsdam Declaration of last July and by the Sino-Soviet Treaty and agreements of August, 1945, are all committed to the liberation of China, including the return of Manchuria to Chinese control. These agreements were made with the National Government of the Republic of China.

In continuation of the constant and close collaboration with the National Government of the Republic of China in the prosecution of this war, in consonance with the Potsdam Declaration, and to remove possibility of Japanese influence remaining in China, the United States has assumed a definite obligation in the disarmament and evacuation of the Japanese troops. Accordingly the United States has been assisting and will continue to assist the National Government of the Republic of China in effecting the disarmament and evacuation of Japanese troops in the liberated areas. The United States Marines are in North China for that purpose.

The United States recognizes and will continue to recognize the National Government of China and cooperate with it in international affairs and specifically in eliminating Japanese influence from China. The United States is convinced that a prompt arrangement for a cessation of hostilities is essential to the effective achievement of this end. United States support will not extend to United States military intervention to influence the course of any Chinese internal strife.

The United States has already been compelled to pay a great price to restore the peace which was first broken by Japanese aggression in Manchuria. The maintenance of peace in the Pacific may be jeopardized, if not frustrated, unless Japanese influence in China is wholly removed and unless China takes her place as a unified, democratic and peaceful nation. This is the purpose of the maintenance for the time being of United States military and naval forces in China.

The United States is cognizant that the present National Government of China is a "one-party government" and believes that peace, unity and democratic reform in China will be furthered if the basis of this Government is broadened to include other political elements in the country. Hence, the United States strongly advocates that the national conference of representatives of major political elements in the country agree upon arrangements which would give those elements a fair and effective representation in the Chinese National Government. It is recognized that this would require modification of the one-party "political tutelage" established as an interim arrangement in the progress of the nation toward democracy by the father of the Chinese Republic, Dr. Sun Yat-sen.

The existence of autonomous armies such as that of the Communist Army is inconsistent with, and actually makes impossible, political unity in China. With the institution of a broadly representative government, autonomous armies should be eliminated as such and all armed forces in China integrated effectively into the Chinese National Army.

In line with its often expressed views regarding self-determination, the United States Government considers that the detailed steps necessary to the achievement of political unity in China must be worked out by the Chinese themselves and that intervention by any foreign government in these matters would be inappropriate. The United States Government feels, however, that China has a clear responsibility to the other United Nations to eliminate armed conflict within its territory as constituting a threat to world stability and peace—a responsibility which is shared by the National Government and all Chinese political and military groups.

As China moves toward peace and unity along the lines described above, the United States would be prepared to assist the National Government in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and establish a military organization capable of discharging China's national and international responsibilities for the maintenance of peace and order.

In furtherance of such assistance, it would be prepared to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which would contribute toward the development of a healthy economy throughout China and healthy trade relations between China and the United States.

Big 3 Foreign Ministers Meet

Announcement was made by radio from Moscow that the first formal meeting of the current conference of U. S. Secretary of State Byrnes, British Foreign Secretary Ernest Bevin and Soviet Foreign Commissar Molotoff had taken place on Dec. 16, with no details given of the discussions, according to cabled advices from London to the New York "Times." The principal subject of discussions is expected to be control of atomic energy.

Every indication within Moscow, it was reported by the Associated Press on Dec. 15 augured hopefully for the successful outcome of the talks. In their greetings to their foreign visitors the Russians evidenced extreme cordiality, and although the press refrained from editorial comment of the occasion, the arrival of the Ministers was treated prominently in the newspapers, indicating the Russians' appreciation of the importance of the conference.

An Associated Press report from Moscow on the 16th stated that both Mr. Byrnes and Mr. Bevin were said to be eager for the discussions to begin, and that the opening session had lasted about two and one-half hours.

It was stated in Associated Press advices from Moscow on Dec. 18 that Generalissimo Stalin, rested by a long vacation, was back at his desk that day, as the Foreign Ministers of Soviet Russia, Great Britain and the United States prepared for their third formal session on world problems with a feeling of reserved optimism. The press advices also said in part:

Premier Stalin returned from his sixty-eight-day holiday yesterday, just four days before his sixty-sixth birthday, and plunged immediately into his duties as President of the Council of People's Commissars.

Stalin's return was announced by a brief statement published in all Moscow newspapers, saying:

"Yesterday, Dec. 17, the President of the Council of People's Commissars, U. S. S. R., Comrade Stalin, returned from his vacation to Moscow and entered upon the fulfillment of his duties."

The announcement came as the "Big Three" foreign ministers, meeting there since Sunday, finished their preliminary talks and prepared to get down to discussion of some of the basic issues of world peace and prosperity which were believed to be on their agenda.

End Father Draft

Orders were issued to local draft boards on Dec. 19 that fathers are no longer to be drafted into the armed forces, a special dispatch to the New York "Times" from Washington reported. Fathers with one or two children will still be accepted as volunteers, but no man with three or more children will be accepted on any basis. Selective Service regulations define a father as follows:

"The term 'children' shall include legitimate or illegitimate children from the date of their conception, children legally adopted, stepchildren, foster children and persons who are supported in good faith by the registrant in a relationship similar to that of parent and children but shall not include persons 18 years of age or over unless they are physically or mentally handicapped."

Irr Named Pres. of U. S. Savs.-Loan League

"The need for homes will be one of the most potent factors for peace in the troubled world of the next ten to fifteen years," declared Henry P. Irr, of Baltimore, Md., upon his election on Nov. 28 at Chicago to the Presidency of the United States Savings and Loan League.

Henry P. Irr

Mr. Irr, President of the Baltimore Federal Savings and Loan Association, is the first Marylander ever to hold the Presidency of the League and he becomes the 53rd President of the organization which comprises some 3700 savings and loan institutions and co-operative banks throughout the country. He succeeds W. M. Brock, Dayton, Ohio, who retired as presiding officer at an installation dinner for Mr. Irr on Nov. 30. The new Second Vice President of the League, is Walter W. McAllister of San Antonio, Texas, President of the San Antonio Building and Loan Association. Mr. Irr, the League's newly elected head is manager of the largest savings and loan institution in Maryland, and Chairman of the Maryland State Planning Commission and of the Maryland Commission on Postwar Reconstruction and Development, by appointments from the Governor. He moved up from the Vice Presidency of the League this past year and has been active in local and regional organziation assignments and committee work during the past six or seven years.

Four members of the board of directors of the League were elected for three-year terms:

"Ralph R. Crosby, Providence, R. I., Vice-President of the Old Colony Co-operative Bank, director for District 1 comprising the New England states:

"Dandridge Murrell, Lynchburg, Va., Secretary-Treasurer of the First Federal Savings and Loan Association of Lynchburg, director for District 4, comprising Virginia, North Carolina, South Carolina and District of Columbia:

Walter J. L. Ray, Detroit, Mich., President-Secretary of the Standard Savings and Loan Association, director for District 7, comprising Illinois, Indiana, and Michigan:

"Allain C. Landry, New Orleans, President of the Fidelity Homestead Association, director for District 10, comprising Arkansas, Louisiana, Texas and New Mexico."

Also elected to fill out an unexpired term for District 12 was Harold B. Starkey, San Diego, executive vice president of the First Federal Savings and Loan Association of San Diego, comprising Arizona, California, Nevada and Hawaii.

In discussing the need for homes Mr. Irr in his address with his election to his new post, said in part:

"The civilian economics of every country which was in the war are suffering worse for shelter than any of them have ever experienced in six thousand years of written history. It will take a decade, even with technological improvements in the building process developed out of the war, for them to catch up, and then there will be the backlog of new demand growing up alongside the accumulated demand which is trying to be met. I don't think we have to worry about any nation starting another aggression, or being able to mobilize its people into enthusiasm for war and privations, while this homelessness cries out for all the resources all the nations can muster. Our shortage in this country which is the result of the cessation of the building the past three and a half years and the deplorable difficulties and disputes in getting home construction resumed, is purely a matter of men and materials. The thrift and home financing and other lending institutions in our own United States have, between them, enough money to lend anybody, veterans or home front serviceman, who wants to build or buy a home the money he needs."

Higher Publishing Costs to Newspapers

The cost to newspaper publishers of publishing their papers will increase approximately $20,000,000 more next year on the basis of an increase of $6 a ton just granted on the price of newsprint. Associated Press advices from Washington Dec. 18 reporting this, added:

"The action was taken, government quarters said, to 'check further decrease in U. S. newsprint production, which has been gradually declining for some years.'

"As production has gone down, the price of newsprint has risen steadily. The price of newsprint delivered in New York was $50 a ton just prior to Pearl Harbor. With the latest increase the new ceiling will be $67 a ton on the same basis.

"The American Newspaper Publishers Association, which has made no public comment on the newsprint price increase, figures that 140,000 full sized newspaper pages can be produced from a ton of newsprint. This would figure down to 4,663 copies of a 30-page newspaper per ton.

"Government sources estimated that approximately 3,250,000 tons of newsprint are consumed in this country annually."

War Powers Act Extended Six Months

The Senate voted on Dec. 19 by a vote of 31 to 30 to extend the Second War Powers Act for six months until June 30, 1945, as the House had done previously. As soon as minor differences are adjusted, the legislation will be sent to the White House for signature of the President, who had, however, requested an extension of one year. The broad powers given the President under the bill include authority for rationing and numerous other wartime controls.

The Administration argument for the year's extension had been, the New York "Times" stated in its report of the Senate action from Washington on Dec. 19, that, although the greatly reduced controls now outstanding would be relinquished as promptly as was found to be "safe," it would be almost as hazardous to dispense with the overall powers in six months as it would be today. The "Times" advices added:

In the matter of enforcement, it was contended, there might be a feeling on the part of those still subject to controls that with the law to expire so comparatively soon there would be "a letting down" and the controls would not be taken "too seriously." Further, it was said, there might be a tendency to hoard materials until the controls expired.

However, opponents of the plan to extend the bill for longer than six months pointed out that at its expiration date of June 30, 1946, if it should be deemed necessary, another extension can be considered and acted upon.

President Urges Armed Service Merger

In a special message to Congress on Dec. 19, President Truman added his voice to those who advocate a merger of the armed services into a single Department of National Defense, with the air forces fully equal to the land and sea arms. The President's recommendations for a unification plan followed virtually every detail of the official War Department plan. Following is the text of the President's message as given by the Associated Press in its report from Washington:

To the Congress of the United States:

In my message of Sept. 6, 1945, I stated that I would communicate with the Congress from time to time during the current session with respect to a comprehensive and continuous program of national security. I pointed out the necessity of making timely preparation for the nation's long-range security now—while we are still mindful of what it has cost us in this war to have been unprepared.

On Oct. 23, 1945, as part of that program, there was presented for your consideration a proposal for universal military training. It was based upon the necessities of maintaining a well-trained citizenry which could be quickly mobilized in time of need in support of a small professional military establishment. Long and extensive hearings have now been held by the Congress on this recommendation. I think that the proposal, in principle, has met with the overwhelming approval of the people of the United States.

We are discharging our armed forces now at the rate of 1,500,000 a month. We can with fairness no longer look to the veterans of this war for any future military service. It is essential therefore that universal training be instituted at the earliest possible moment to provide a reserve upon which we can draw if, unhappily, it should become necessary. A grave responsibility will rest upon the Congress if it continues to delay this most important and urgent measure.

Today, again in the interest of national security and world peace, I make this further recommendation to you. I recommend that the Congress adopt legislation combining the War and Navy departments into one single department of national defense. Such unification is another essential step—along with universal training—in the development of a comprehensive and continuous program for our future safety and for the peace and security of the world.

One of the lessons which have most clearly come from the costly and dangerous experience of this war is that there must be unified direction of land, sea and air forces at home as well as in all other parts of the world where our armed forces are serving.

We did not have that kind of direction when we were attacked four years ago—and we certainly paid a high price for not having it.

In 1941 we had two completely independent organizations with no well-established habits of collaboration and co-operation between them. If disputes arose, if there was failure to agree on a question of planning or a question of action, only the President of the United States could make a decision effective on both. Besides, in 1941, the air power of the United States was not organized on a par with the ground and sea forces.

Our expedient for meeting these defects was the creation of the Joint Chiefs of Staff. On this committee sat the President's Chief of Staff and the chiefs of the land forces, the naval forces, and the air forces. Under the joint chiefs were organized a number of committees bringing together personnel of the three services for joint strategic planning and for coordination of operations. This kind of coordination was better than no coordination at all, but it was in no sense a unified command.

In the theaters of operation, meanwhile, we went further in the direction of unity by establishing unified commands. We came to the conclusion—soon confirmed by experience—that any extended military effort required over-all coordinated control in order to get the most out of the three armed forces. Had we not early in the war adopted this principle of a unified command for operations, our efforts, no matter how heroic, might have failed.

But we never had comparable unified direction or command in Washington. And even in the field our unity of operations was greatly impaired by the differences in training, in doctrine, in communication systems, and in supply and distribution systems, that stemmed from the division of leadership in Washington.

It is true, we were able to win in spite of these handicaps. But it is now time to take stock, to discard obsolete organizational forms and to provide for the future the soundest, the most effective and the most economical kind of structure for our armed forces of which this most powerful nation is capable.

I urge this as the best means of keeping the peace.

No nation now doubts the good will of the United States for the maintenance of a lasting peace in the world. Our purpose is shown by our efforts to establish an effective United Nations Organization. But all nations—and particularly those unfortunate nations which have felt the heel of the Nazis, the Fascists or the Japs—know that desire for peace is futile unless there is also enough strength ready and willing to enforce that desire in any emergency. Among the things that have encouraged aggression and the spread of war in the past have been the unwillingness of the United States realistically to face this fact, and her refusal to fortify her aims of peace before the forces of aggression could gather in strength.

Now that our enemies have surrendered it has again become all too apparent that a portion of the American people are anxious to forget all about the war, and particularly to forget all the unpleasant factors which are required to prevent future wars.

Whether we like it or not, we must all recognize that the victory which we have won has placed upon the American people the continuing burden of responsibility for world leadership. The future peace of the world will depend in large part upon whether or not the United States shows that it is really determined to continue in its role as a leader among nations. It will depend upon whether or not the United States is willing to maintain the physical strength necessary to act as a safeguard against any future aggressor. Together with the other United Nations, we must be willing to make the sacrifices necessary to protect the world from future aggressive warfare. In short, we must be prepared to maintain in constant and immediate readiness sufficient military strength to convince any future potential aggressor that this nation in its determination for a lasting peace means business.

We would be taking a grave risk with the national securtiy if we did not move now to overcome permanently the present imperfections in our defense organization. However great was the need for coordination and unified command in World War II, it is sure to be greater if there is any future aggression against world peace. Technological developments have made the armed services much more dependent upon each other than ever before. The boundaries that once separated the Army's battlefield from the Navy's battlefield have been virtually erased. If there is ever going to be another global conflict, it is sure to take place simultaneously on land and sea and in the air, with weapons of ever greater speed and range. Our combat forces must work together in one team as they have never been required to work together in the past.

We must assume, further, that another war would strike much more suddenly than the last, and that it would strike directly at the United States. We cannot expect to be given the opportunity again to experiment in organization and in ways of teamwork while the fighting proceeds. True preparedness now means preparedness not alone in armaments and numbers of men, but preparedness in organization also. It means establishing in peacetime the kind of military organization which will be able to meet the test of sudden attack quickly and without having to improvise radical readjustment in structure and habits.

The basic question is what organization will provide the most effective employment of our military resources in time of war and the most effective means for maintaining peace. The manner in which we make this transition in the size, composition, and organization of the armed forces will determine the efficiency and cost of our national defense for many years to come.

Improvements have been made since 1941 by the President in the organization of the War and Navy departments, under the War Powers Act. Unless the Congress acts before these powers lapse, these departments will revert to their prewar organizational status. This would be a grievous mistake.

The Joint Chiefs of Staff are not a unified command. It is a committee which must depend for its success upon the voluntary cooperation of its member agencies. During the war period of extreme national danger there was, of course, a high degree of cooperation. In peacetime the situation will be different. It must not be taken for granted that the Joint Chiefs of Staff as now constituted will be as effective in the apportionment of peacetime resources as they have been in the determination of war plans and in their execution. As national defense appropriations grow tighter, and conflicting interests make themselves felt in major issues of policy and strategy, unanimous agreements will become more difficult to reach.

It was obviously impossible in the midst of conflict to reorganize the armed forces of the United States along the lines here suggested. Now that our enemies have surrendered, I urge the Congress to proceed to bring about a reorganization of the management of the armed forces.

Further studies of the general problem would serve no useful purpose. There is enough evidence now at hand to demonstrate beyond question the need for a unified department. A great many of the reasons for establishing a single department have been brought out already in public discussion and in Congressional committee hearings. To me the most important reasons for combining the two existing departments are these:

1. We should have integrated strategic plans and a unified military program and budget.

With the coming of peace it is clear that we must not only continue, but strengthen, our present facilities for integrated planning. We cannot have the sea, land and air members of our defense team working at what may turn out to be cross-purposes, planning their programs on different assumptions as to the nature of the military establishment we need, and engaging in an open competition for funds.

Strategy, program and budget are all aspects of the same basic decisions. Using the advice of our scientists and our intelligence officers, we must make the wisest estimate as to the probable nature of any future attack upon us, determine accordingly how to organize and deploy our military forces, and allocate the available manpower, material and financial resources in a manner consistent with the over-all plan.

Up to the present time the makeup and balance of our armed forces have not been planned as a whole. Programs and budget requests from the Army and Navy have been formulated separately, on the basis of independent concepts of mission and function. These separate programs and budgets have not been considered together until after they have passed out of military hands and even out of the hands of the Secretaries of War and the Navy. The whole job of reconciling the divergent claims of the departments has been thrust upon the President and the Congress.

This war has demonstrated completely that the resources of this nation in manpower and in raw materials are not unlimited. To realize this is to comprehend the urgent need for finding a way to allocate these resources intelligently among the competing services. This means designing a balanced military structure reflecting a considered apportionment of responsibility among the services for the performance of a joint mission.

From experience as a member of the Congress I know the great difficulty of appraising properly the over-all security needs of the nation from piecemeal presentations by separate departments appearing before separate Congerssional committees at different times. It is only by combining the armed forces into a single department that the Congress can have the advantage of considering a single coordinated and comprehensive security program.

2. We should realize the economies that can be achieved through unified control of supply and service functions.

Instances of duplication among Army and Navy activities and facilities have been brought to the attention of the Congress on many occasions. The degree of unity that was accomplished during the war in strategic planning and in theater command is in striking contrast with the separatism that prevailed in the whole range of supply and service functions.

It will never be possible to achieve absolute coördination of the supply and service functions of all services. Neither the War Department nor the Navy Department has been able to eliminate all duplication even within its own organization. But there is no question that the extent of waste through lack of coordination between the two departments is very much greater than the waste resulting from faulty coordination within each. If we can attain as much coördination among all the services as now exists within each department, we shall realize extensive savings.

Consolidation of the departments will, for example, reduce the volume of supplies that need to be produced. Supply requirements, for example, begin with a calculation of so many items per man to be supplied. But to this basic figure must be added margins of safety, to account for items in storage, transportation lags, breakdowns in delivery, emergency demands, and so forth. In these margins, savings can be made through unified systems of supply. As the volume handled in any supply system grows, the percentage factor which has to be added for reserves is reduced.

In the same way, both the Army and the Navy must add a margin of safety to their requirements for production plants, depots, hospitals, air training fields, and other types of construction common to both services. When the requirements are pooled, the total amount of margin may be reduced. The same is true of personnel. Each service must add a margin of safety in estimating its requirements for doctors, nurses, skilled mechanics, and other types of specialists. The total margin is greater if the computations are made separately. Another source of economy will be the pooling of facilities and personnel in localities where at present both services have to operate, but where from the nature of the circumstances, facilities and personnel are not fully used.

Other examples of duplication could be cited. Business men have to deal with separate buyers, who may use separate specifications for items which could as well have the same specifications. Separate inspectors are stationed in their plants. During this war, instances occurred where the purchase of all available quantities of certain items by one service resulted in acute shortages in the other service. Parallel transportation and storage systems required extra overhead.

As the war progressed, it is true that increased cooperation reduced the extent of waste and conflict. But voluntary cooperation in such matters can never be expected to be fully effective. A single authority at the top would inevitably achieve a greater degree of economy than would be obtained under divided direction.

3. We should adopt the organizational structure best suited to fostering coordination between the miltiary and the remainder of the Government.

Our military policy and program are only a part of a total national program aimed at achieving our national objectives of security and peace. This total program has many aspects, and many agencies of the Government must participate in its execution.

Our military policy, for example, should be completely consistent with our foreign policy. It should be designed to support and reflect our commitments to the United Nations Organization. It should be adjusted according to the success or lack of success of our diplomacy. It should reflect our fullest knowledge of the capabilities and intentions of other Powers. Likewise, our foreign policy should take into account our military capabilities and the strategic power of our armed forces.

A total security program has still other major aspects. A military program, standing alone, is useless. It must be supported in peacetime by planning for industrial mobilization and for development of industrial and raw material resources where these are insufficient. Programs of scientific research must be developed for military purposes, and their results woven into the defense program. The findings of our intelligence service must be applied to all of these.

Formulation and execution of a comprehensive and consistent national program embracing all these activities are extremely difficult tasks. They are made more difficult the greater the number of departments and agencies whose policies and programs have to be coordinated at the top level of the executive branch. They are simplified as the number of these agencies can be reduced.

The consolidation of the War and Navy departments would greatly facilitate the ease and speed with which the armed forces and the other departments could exchange views and come to agreement on matters of common concern. It would minimize the extent to which inter-service differences have to be discussed and settled by the civilian leaders whose main concern should be the more fundamental job of building over-all national policy.

4. We should provide the strongest means for civilian control of the military.

Civilian control of the military establishment—one of the most fundamental of our democratic concepts—would be strengthened if the President and the Congress had but one Cabinet member with clear and primary responsibility for the exercise of that control. When the military establishment is divided between two civilian secretaries, each is limited necessarily to a restricted view of the military establishment. Consequently, on many fundamental issues where the civilian point of view should be controlling, the secretaries of the two departments are cast in the role of partisans of their respective services, and real civilian control can be exercised by no one except the President or the Congress.

During and since the war, the ned for joint action by the services and for objective recommendations on military matters has led inevitably to increasing the authority of the only joint organization and the most nearly objective organization that exists—the Joint Chiefs of Staff. But the Joint Chiefs of Staff are a strictly military body. Responsibility for civilian control should be clearly fixed in a single full-time civilian below the President. This requires a secretary for the entire military establishment, aided by a strong staff of civilian assistants.

There is no basis for the fear that such an organization would lodge too much power in a single individual—that the concentration of so much military power would lead to militarism. There is no basis for such fear as long as the traditional policy of the United States is followed that a civilian, subject to the President, the Congress and the will of the people, be placed at the head of this department. The safety of the democracy of the United States lies in the solid good sense and unshakable conviction of the American people. They need have no fear that their democratic liberties will be imperiled so long as they continue fulfilling their duties of citizenship.

5. We should organize to provide parity for air power.

Air power has been developed to a point where its responsibilities are equal to those of land and sea power, and its contribution to our strategic planning is as great. In operation, air power receives its separate assignment in the execution of an over-all plan. These facts were finally recognized in this war in the organizational parity which was granted to air power within our principal unified commands.

Parity for air power can be achieved in one department or in three, but not in two. As between one department and three, the former is infinitely to be preferred. The advantages of a single department are indeed much clearer when the alternative is seen to be three departments rather than the present two. The existence of three departments would complicate tremendously every problem of coordination that now exists between the War and Navy departments, and between the services and the rest of the Government.

The Cabinet is not merely a collection of executives administering different governmental functions. It is a body whose combined judgment the President uses to formulate the fundamental policies of the administration. In such a group, which is designed to develop teamwork wisdom on all subjects that affect the political life of the country, it would be inappropriate and unbalanced to have three members representing three different instruments of national defense.

The President, as Commander in Chief, should not personally have to coordinate the Army and Navy and Air Force. With all the other problems before him, the President cannot be expected to balance either the organization, the training or the practice of the several branches of national defense. He should be able to rely for that coordination upon civilian hands at the Cabinet level.

6. We should establish the most advantageous framework for a unified system of training for combined operations of land, sea and air.

Whatever the form which any future war may take, we know that the men of our separate services will have to work together in many kinds of combinations for many purposes. The Pacific campaign of the recent war is an outstanding example of common and joint effort among land, sea and air forces. Despite its successes, that campaign proved that there is not adequate understanding among the officers and men of any services of the capabilities, the uses, the procedures, and the limitations of the other services.

This understanding is not something that can be created overnight whenever a combined operation is planned and a task force organized. The way men act in combat is determined by the sum total of all their previous training, indoctrination, and experience.

What we seek is a structure which can best produce an integrated training program, carry on merged training activities where that is appropriate, and permit officers to be assigned in such a way that an individual officer will learn first-hand of other services besides the one in which he has specialized. The organizational framework most conducive to this kind of unified training and doctrine is a unified department.

Allocation for Scientific Research

7. He should allocate systematically our limited resources for scientific research.

No aspect of military preparedness is more important than scientific research. Given the limited amount of scientific talent that will be available for military purposes, we must systematically apply that talent to research in the most promising lines and on the weapons with the greatest potentiality, regardless of the service in which these weapons will be used. We cannot afford to waste any of our scientific resources in duplication of effort.

This does not mean that all Army and Navy laboratories would be immediately or even ultimately consolidated. The objectives should be to preserve initiatives and enterprise while eliminating duplication and misdirected effort. This can be accomplished only if we have an organizational structure which will permit fixing responsibility at the top for coordination among the services.

8. We should have unity of command in outlying bases.

All military authority at each of our outlying bases should be placed under a single commander who will have clear responsibility for security, who can be held clearly accountable, and whose orders come from a single authority in Washington. Reconnaisance planes, radar sets, and intelligence and counter-intelligence measures at a United States outpost are not intended to serve separate services for different purposes. Unification of the services offers a far greater guaranty of continued unity in the field than does our present organization.

9. We should have consistent and equitable personnel policies.

There have been differences in personnel policies between the Army and the Navy during the war. They began with competitive recruitment of certain types of persons, and continued in almost every phase of personnel administration. In rates of promotion, in ways of selecting officers, in the utilization of reserve officers, in awards and decorations, in allowances and in point systems for discharge, the two services have followed different policies.

This inconsistency is highly undesirable. It will be reduced to a minimum under a unified organization.

Recommendations for Reorganization

Any bill which is enacted to carry out these recommendations cannot provide immediately the ultimate organization plan to accomplish unification. It can only prescribe the general organization of the authorities at the top levels of the unified department.

I recommend that the reorganization of the armed services be along the following broad lines.

1. There should be a single Department of National Defense. This department should be charged with the full responsibility for armed national security. It should consist of the armed and civilian forces that are now included within the War and Navy departments.

2. The head of this department should be a civilian, a member of the President's Cabinet, to be designated as the Secretary of National Defense. Under him there should be a civilian under-secretary and several assistant secretaries.

3. There should be three coordinated branches of the Department of National Defense: One for the land forces, one for the naval forces, and one for the air forces, each under an assistant secretary. The Navy should, of course, retain its own carrier-, ship-, and water-based aviation. And, of course, the Marine Corps should be continued as an integral part of the Navy.

4. The Under-Secretary and the remaining assistant secretaries should be available for assignment to whatever duties the President and the Secretary may determine from time to time.

5. The President and the Secretary should be provided with ample authority to establish central coordinating and service organizations, military and civilian, where these are found to be necessary. Some of these might be placed under assistant secretaries, some might be organized as central service organizations, and some might be organized in a top military staff to integrate the military leadership of the department. I do not believe that we can specify at this time the exact nature of these organizations. They must be developed over a period of time by the President and the Secretary as a normal part of their executive responsibilities. Sufficient strength in these department-wide elements of the department, as opposed to the separate service elements, will insure that real unification is ultimately obtained. The President and the Secretary should not be limited in their authority to establish department-wide coordinating and service organizations.

Proposes Chief of Staff of Defense Department

6. There should be a Chief of Staff of the Department of National Defense. There should also be a commander for each of the three component branches—Army, Navy and Air.

7. The Chief of Staff and the commanders of the three coordinate branches of the department should together constitute an advisory body to the Secretary of National Defense and to the President. There should be nothing to prevent the President, the Secretary and other civilian authorities from communicating with the commanders of any of the components of the department on such vital matters as basic military strategy and policy and the division of the budget. Furthermore, the key staff positions in the department should be filled with officers drawn from all the services, so that the thinking of the department would not be dominated by any one or two of the services.

As an additional precaution, it would be wise if the post of Chief of Staff were rotated among the several services, whenever practicable and advisable, at least during the period of evolution of the new unified department. The tenure of the individual officer designated to serve as Chief of Staff should be relatively short—two or three years—and should not, except in time of a war emergency declared by the Congress, be extended beyond that period.

Unification of the services must be looked upon as a long-term job. We all recognize that there will be many complications and difficulties. Legislation of the character outlined will provide us with the objective and with the initial means whereby forward-looking leadership in the department, both military and civilian, can bring real unification into being. Unification is much more than a matter of organization. It will require new viewpoints, new doctrine and new habits of thinking throughout the departmental structure. But in the comparative leisure of peacetime, and utilizing the skill and experience of our staff and field commanders who brought us victory, we should start at once to achieve the most efficient instrument of national safety.

Once a unified department has been established, other steps necessary to the formulation of a comprehensive national security program can be taken with greater ease. Much more than a beginning has already been made in achieving consistent political and military policy through the establishment of the State-War-Navy Coordinating Committee. With respect to military research, I have in a previous message to the Congress proposed the establishment of a Federal Research Agency, among whose responsibilities should be the promotion and coordination of fundamental research pertaining to the defense and security of the nation. The development of a coordinated, Government-wide intelligence system is in process. As the advisability of additional action to insure a broad and coordinated program of national security becomes clear, I shall make appropriate recommendations or take the necessary action to that end.

The American people have all been enlightened and gratified by the free discussion which has taken place within the services and before the committees of the Senate and the House of Representatives. The Congress, the people, and the President have benefited from a clarification of the issues that could have been provided in no other way. But however strong the opposition that has been expressed by some of our outstanding senior officers and civilians, I can assure the Congress that once unification has been determined upon as the policy of this nation, there is no officer or civilian in any service who will not contribute his utmost to make the unification a success.

I make these recommendations in the full realization that we are undertaking a task of greatest difficulty. But I am certain that when the task is accomplished, we shall have a military establishment far better adapted to carrying out its share of our national program for achieving peace and security.

HARRY S. TRUMAN.

The White House,
Dec. 9, 1945.

The Farm Situation

(Continued from first page)

long staple, high quality cotton must make their selection from the skimpiest crop in many years—this in the face of heavy mill requirements. The dried bean crop is short, but larger supplies of meat and poultry should be an offsetting factor. The rye crop is sharply below normal.

No Cause for Complaint

Nevertheless, the over-all picture remains definitely favorable. Farmers, in my opinion, have no cause for complaint. In fact, they have fared unusually well during the past few years of large crops and high prices. This is evidenced by the fact that cash receipts from farm marketings rose steadily from $7,877,000,000 in 1939 to a tentative figure of $20,400,000,000 in 1945. That is not chicken feed. It may well mark a peak in farm income over the foreseeable future.

I do not mean to imply by this statement that the agricultural outlook over the next year or two is unfavorable. Farmers ought to do very well by themselves at least during 1946 and 1947. In this connection, do not overlook the fact that the government is committed to the support of farm prices at 90% of parity for two years after official declaration of war's end. If Uncle Sam is able to carry out his promise, and crop yields are good, farmers can look forward to at least two more years of prosperity. After that, the going is likely to get tougher.

Cultivate Farm Markets

The war years have left a large void of consumer goods in rural, as well as urban, areas. Farmers should prove to be the best customers next year of many distributors. Sellers of general merchandise should do well. The big mail-order houses especially should prosper. To most farm families the mail-order catalogs are second in importance only to the Bible. However, I hope the latter will continue to occupy the place of honor, and support, as only it can do, the sturdy integrity and morality of America's millions of farm homes.

Farm areas offer lush fields also to manufacturers and distributors of farm equipment and supplies. The need is so great that this business should not be hard to get, although the biggest rewards will go to those concerns who get there "the fustest with the mostest." I think the outlook also is favorable for distributors and manufacturers of electrical appliances, provided they are equipped to reach the farm market. Since farm production is likely to continue large next year, fertilizer producers and distributors should enjoy good business. Lumber and other building materials should be in good demand in rural areas in 1946.

Farm Land Values

Farm land values have zoomed and may go still higher; but, in my opinion, are reaching vulnerable levels. Farmers, in the flush of their current prosperity, should not over-extend and should stay out of debt as much as possible. Owners of speculative farm land should consider shifting into good urban real estate or other assets such as sound securities. The farm land boom will not last forever.

Stalin Returns to Moscow—Big Three Talks Continue

It was reported by the Moscow radio on Dec. 18, according to Associated Press advices from London, that Premier Stalin, having returned to Moscow the preceding day, had already resumed his duties. Varying reports unconfirmed, have circulated concerning Premier Stalin's health ever since the announcement that he had gone to the Black Sea area on vacation, Oct. 9.

Management's Responsibility to Itself

(Continued from first page)

showmanship that business leaders have simply got to acquire to hold their own.

And business desperately needs fully-trained leaders and strategists, unafraid and informed, for the economic Armageddon that is upon us. This is no transitory crisis. Business cannot take it lightly. You've got to stand up and fight.

Therefore, I think I can best talk to you today about the necessity for (1) a united purpose, (2) a common strategy and (3) the total strength of the business leadership that is needed in this crucial battle for freedom.

Business Leadership in Troubled World

A troubled world, seeking easy answers, is drifting out of war toward totalitarianism and bondage. The system-changers in the Government Temples are spouting the doom of our days; those who battle on the right are many-tongued and not of one mind.

You all know that enthusiasm is not lacking, and courage is not wanting in the ranks of management, but the army is sometimes mostly generals. Too many businessmen will go to hell for a common program any time—so long as it happens to be going their way. That is not enough. We must stop this detouring of purpose and confusion of talks, and get our plan of battle and our objectives joined. Above all else we must enlist the fullest strength of business leadership.

Actually, of course, we do have a united purpose. Ask any businessman and he will tell you right off the bat what it is; the saving of American private enterprise. And, those are exactly the words that most executives would use in stating the case—"Help us save Private Enterprise." But the public is not interested in helping YOU save private enterprise.

That's a selfish-sounding, unappealing approach that wouldn't sell spring water in the Sahara Desert. Let's dress up our system-selling. Let's get competitive, as we do in our day-to-day prune-peddling. Only through competition does the customer get a fair break. Put the oomph in it! Make it more attractive, more challenging by saying that the American businessman is not afraid to compete with Communism, Socialism or any other economic system in the world; that he is ready and anxious to prove to the public that the private enterprise system will bring more of the good things of life to more people than any other competing economy on the face of the earth.

That is the only reason in the world why the American people should keep our business system.

We have the same kind of problem on common strategy. In fact, we are even weaker on this than on saying what we're fighting for.

Our competitors talk about ends and purposes that are dear to the hearts of every one—rich and poor, Republican and Democrat, Socialist and Communist, black and white. They make the mouths of humanity water with anticipation of the full life served up on a silver platter with full free trimmings.

Labor leaders, despite their lack of knowledge (or expedient twisting) of some of the basic laws of economics, know a whole lot more about human nature, about the contemporary opinions and desires of the people than business executives. They make their followers believe that they're out to get everything the worker wants **now**; regardless, I might say, of what happens to the workers in the long run. But the dues-payers don't know that at the time. The labor leaders play upon their dissatisfaction, their desires, their human emotions.

That's powerful stuff, too, for when you stop to think of it, what is more powerful than emotional appeal, what is more powerful than "love" or "hatred"? I am not advocating the use of hatred, as the unioneers use it, to create distrust between labor and management, but as an example of the power of emotional selling. Those two great emotions have started a lot of wars, made a lot of business and, in general, have made human history what it is. And yet, you can't weigh or measure or trade in emotion or put the calipers on either. The language of emotion is universal and its appeal unfailing.

Correct Publicity Policy

Business never hesitates to emote in the selling of its own merchandise; half the advertising is based on "keeping up with the Joneses"—the envy emotion; soap is no longer sold to wash your neck, but to get "that school-girl complexion"—the love emotion; when big he-men get afraid of "five-o'clock shadow" they've succumbed to the pride emotion. But when it comes to selling the system, we get as drab as a crutch, as unexciting as a chorus girl in a flannel nightgown.

No sir, higher pressure selling has never come out of the book than the labor big-wigs are using.

In the first throes of finding the system under attack, the businessman acted badly, irrationally—violating even his own merchandising and selling technique. He knocked his competitor, which is never done—at least openly or detectably—and he besmirched his competitor's product, which also is never done in polite, positive selling society—at least not so any one can notice.

Business has acquired the bad reputation of being against "security"; of opposing "high wages"; of not wanting full employment. Despite the fact that every one spends his life providing for his security and seeking high wages. But, because the crackpot and agitator sold the right merchandise to be delivered the wrong way, we made the bad error of denouncing the merchandise.

I am not suggesting that you out-give the New Dealers, or out-do the do-gooders. But if management is to gain public acceptance, the people must believe that management is trying to reach the goals held desirable by the public.

Management, always taking responsibility for both its words and its deeds, backs away from irresponsible promises, and in the process not only refuses to make promises of achievement, but as well won't even make promises of intention. Management can quite truthfully portray its desire to reach what the public thinks is the good life, for the very religion of industry is to produce more goods for more people at less cost, upon which the good life is really founded.

It is in full realization of this public psychology that your Public Relations Committee has picked three main objectives for NAM's 1946 Public Relations Program:

(1) That of identifying NAM and its membership with the hopes and aspirations of the people; convincing the public that the system will bring more of the good things of life to more people than any competing economy.

(2) Proving that management has a heart, and that it recognizes and respects human rights.

(3) Demonstrating conclusively that the manufacturing dollar is and will continue to be shared properly and fairly among workers, consumers and owners.

Thus you will see that NAM plans to tie its publicity program more to actions, performances and good intentions. It will not merely talk about high-sounding theories, or big-sounding pasts, or gloomy-sounding collectivists' futures. It's very necessary to have something definite to sell when you start publicizing. The mere malarky of publicity is not enough to save our economic system. Simply buttering up the public with sweet words won't save our necks. Publicity isn't just a deodorant to be spread around when the smell gets too bad for the public's nostrils. Pretty printed puffs about the principles of private enterprise are like a sinful fellow flashing a copy of the Ten Commandments at the Pearly Gates as a pass into Paradise. You're going to get there—or not—according to how you kept those Commandments, not how you advertised them.

A manufacturer who had a preview of this speech said: "Weisenburger, you tell us what's wrong but not what's right. Tell us what the Ten Commandments of business are."

Well, I am no Moses and I haven't got a mountain, but I do have a decalogue:

The Ten Commandments of the Business Manager

(1) His prime obligation is to the great American consumer—an obligation to make a better life for more people by making better goods at lower prices.

(2) He should support and encourage research activities which will develop new and better products and processes, both in manufacturing and marketing.

(3) He should make certin that the benefits of increased productive efficiency are fairly distributed among consumers, labor and investors.

(4) In the process of production and selling, he should provide as many jobs—at as good wages and as good working conditions—as are consistent with the efficient and successful conduct of his business.

(5) He should recognize that his employees have an equal interest in the successful operation of the company, and should deal with them in a manner which stimulates their pride and loyalty in the business.

(6) He should make full utilization of every means of regularizing employment and take a practical interest in the economic security of those employees who devote their lives to the business.

(7) He should come out of his pine-panelled office and be an earnest and earthy advocate of the business system under which he operates and should cooperate with others in making our competitive enterprise system work better.

(8) If he wants the public to preserve a political atmosphere which recognizes freedom and competition, he should unreservedly accept and practice competition in the conduct of his own business.

(9) As a good citizen he should take a constructive interest in politics, and as a key member of his community he should fully accept his share of responsibility for the welfare and advancement of his fellow citizens.

(10) He should **perform** according to these principles—more, he should publicize that performance, using every available means to reveal the way his company seeks to satisfy the public interest, joining others in a public relations effort to convince the people of the worthiness of the whole private enterprise system.

Observing all, or at least some of these suggestions, will help you mightily in the contest for popularity in which Federal bureaucracy and union leaders are letting the public believe that they are carrying the ball for humanity against the bold bad business barons.

Maybe the best way to handle the situation is to quit bucking their line. Stop permitting labor and Government to picture you in the role of throwing for a loss the people's ideas of social progress. For instance, tell the folks of your sympathy for working out better continuity of employment, and the progress that is being made; let them know that higher wages, well earned, will result from the the improved productive efficiency which management is stimulating; help them to see that their heart's desire of security can only be obtained in any substantial way through management's production plans. Saying these things often enough to make a public impression is going to take the fullest strength of business leadership.

Muster Full Strength of Business Manpower

Development of this point brings me to the third one of the actions which I urge upon you men. The first was united purpose; the second was the desirability of a common strategy; and now I want to develop the need of mustering the fullest strength of business manpower.

This last one will not be easy. In fact, it will take a lot of doing. On the left is a beautifully trained chorus, which knows but one theme song and which never misses a chance to sing the praises of Uncle Joe's way of doing things

On the right is a dignified and impressive group of soloists, who have a difficult time singing as a choir and they don't always use the same hymn book.

Besides having enough to do already, the businessman lacks training, he lacks facts, he lacks let's-be-frank-about-it, he lacks a full understanding of the philosophy he would defend.

Our members are not afraid they do not have to be aroused, they are literally pushing for action, but they remain silent because they are not sure they know the answers against the soap-boxers and professional liberals. Their trouble is they have too much information but not enough facts.

"Well," you'll say, "there is no dearth of facts; I get a tub full of mail from the NAM every morning!"

Nevertheless, the businessman is filled more with indignation than facts, because he hasn't time to read and sift and boil down the arguments with which to knock off the ever present, ever vocal, system-busters.

Now, no one ever won a cause by "throwing the book" at his opponent or tossing the encyclopedia about. So, as a part of its program for this coming year, the NAM is going to try to equip management to defend itself intelligently by supplying regular capsule doses of super-condensed facts, particularly as concerns the current situation and industry. These will come in looseleaf handy pocket size, boiled-to-the-bone material to refute the daily misunderstanding and attacks on business. In this brief-bit form we expect to create in the lingo of the "Commies" a "party line." Management can thus get behind an impressive offensive.

Think what a shift would take place overnight if tomorrow morning 15,000 business managers had the facts at their finger tips and the courage in their hearts to step forth and answer the drivel and tommyrot that masquerade as liberal economics.

Positive Action Required

Why should businessmen sit idly by and allow the Department of Commerce to come out in support of the CIO's pet formula for wage increases—with the worst misuse of statistics, half guesses, assumptions and deductions ever put together? Any one who ever raised a pay roll or passed the "asset-test" would never indulge in such dangerous make-believe.

Don't think that because only a company or two is involved at present that it's safer for you to keep your neck in. They'll get around to you tomorrow.

Too, too often the follies of today's headlines become the economic realities of tomorrow.

We're getting out the facts on this Government-supported raid upon industry. Read it, absorb it, talk it! It will tell you such interesting realism as: "Even if we had distributed all profits for the past 15 years (1930-44) to labor, salaries and wages would have been increased by less than 6%."

It takes no power of prophecy to see that the attacks of the future on the system are going to be directed almost entirely at profits. Clever people. Do you suppose they don't know that you can't have a profit system without profit?

There is a school of something that passes for thought which contends that business can meet 30% wage demands from profits. It's about time that school was given a recess.

One of the early fact-finders will give you the tabloid answers to such things. Did you know, for instance, that in no year since 1929 have corporate profits been as large as the wages and salaries of those on the public payroll?

Do you keep still when the left-wingers mournfully talk about the inability of private enterprise to give full employment? You don't have to. Get armed with some facts like this: "During the first 30 years of this century we dropped below 'full employment' by more than 4% in only one year (1921); during the next 10 years, when Government took over responsibility for providing jobs, we got within 10% of 'full employment' in only one year (1937)."

We're going to aim every facility of our new '46 program to get individual dissemination of the business message. We're stepping up our branch offices over the nation so as to give our membership more direct assistance in telling this message at the local level. We're going to decentralize our publicity releases through these offices so that our officers, directors and members in their own home bailiwicks can speak up with the unassailable facts.

There is no longer safety in business silence, or dignity in being whipped with our mouths shut.

And, gentlemen, you can't cure this condition by spraying DDT on your tormentors or bringing up your blood pressure in private; I know time is fleeting and ulcers abiding, but this is something you've just got to do for yourself. A paid staff can research the facts and mould the bullets. But you, Mr. Businessman, in person, have got to be the gunner, and fire the facts.

Maybe you can cure alcoholism anonymously, but you've got to save private enterprise in person, in the flesh.

Cooperation with Government

And while we're talking about the jobs you've got to do yourself, let me lay particular emphasis on the job of management working with Government. Because businessmen have often opposed the nonsensical economic tampering by Government, they are often labeled "anti-Government." This won't do. Business has shown an outstanding capacity for cooperating with Government during the war. Sure, it more or less requires a political endurance that usually annoys management. But building on the recognized achievements of hundreds who have illustriously served Government in wartime, we must start a help-Government movement of managerial advisers.

Not a drive on Congress or the agencies, not power demonstrations, not as pressure groups, but as experienced men who know something about the economic legislation that is being considered. Business has made most desirable headway in telling its story to Congressmen; they honestly want to know, if you tell them the facts without oratory. Congressmen are up against the multitudinous problems of legislating on everything, upon which they can't possibly become experts. You cannot, therefore, expect them to legislate with the wisdom of a Plato and the science of an Aristotle on your affairs if you don't give them a helping hand.

Corporations have legal departments, advertising departments, personnel departments. Why not a cooperation-with-Government department? There is no more important phase of modern management.

Oh, I know most of the large companies have representatives at the Capitol. But their duties are pretty largely restricted to the company's specific problems: the OPA ceiling on toasters, when are they going to get rid of tire rationing, how the reciprocal trade treaty affects their products, etc.

Now, it's all right to take good care of your own business, but larger corporations, at least, should have representatives in the Capitol, or make it a matter of greater importance for those who are there to assist in presenting the business viewpoint on taxes, on labor relations, on a hundred and one other things affecting the whole economy which will make or break all business.

Union leaders are thicker in Washington than Autumn leaves in Valambrosia. Your trade and national associations try valiantly to cover the ground, but it's time for business—at the higher levels of economic legislating—to be represented in force in Washington, supplemented by frequent visits to the Capitol by industrialists from all over the nation.

A Bigger Role of Leadership

I find that management is ready and waiting to play this bigger role of guidance and leadership. Every day some of our members inquire, "What are you going to do about the PAC?" And while it's a pass-the-buck answer, I reply, "What are you going to do? Are you willing to go around ringing door bells?" The replies I get at this juncture are in the best business evasive manner.

The fact of the matter is that businessmen don't have to ring door bells or depend on mass movements as substitutes for their individual force and persuasiveness. Every one of you is a special somebody back home. When you talk you're listened to, and your viewpoint is respected. You don't have to be herded in mass appeal to be effective.

If we could get the real job-makers of the nation individually on the firing line at one time, we'd be out of the economic woods in a jiffy, and oh, what a glorious morning that would be for America!

I trust that what I've had to say has aroused your interest, stimulated your determination, for nobler cause never called on man. It was the noted Swedish economist, Gustav Cassel, who stated this challenge of alertness to freedom in these words:

"Humanity should not unconsciously let itself be forced onto a path leading to a complete demolition of old standards and ideals on which it has built up its prosperity and its civilization."

And what a propitious time it is to get your courage up and your chin out. These are not the business dog days of the Thirties. You're favorably held by the public. They know of your marvelous production for war. Your speed in reconversion has broken all predictions, despite the strikes which now hold up production. You are held up to the public's esteem and admiration as the job-makers of peacetime. Isn't it about time you cashed in on such popularity, with a positive leadership for national good, instead of meekly truckling to these economic snake doctors?

You've been accused of being selfish, greedy and robber barons. But gradually the American people are awakening to the fact that there is nothing so unmoral, unsound and anti-social as the Robin Hood economics of those who think they can make business prosperous and increase the demand for labor by confiscating profits. Only too well is the public getting wise to the fact that this is merely a poor alibi for shortsighted, share-the-wealth and get-the-vote economics.

Times have changed since those prewar days of surrealist political economics. The people want to be for you, if you'll show them what to be for. Don't ever underestimate the loyalty and common sense of the American people. They're reading right, as witnessed in the best seller lists for months; they're turning right—every public poll shows this decidedly; they're thinking conservatively, as witnessed by sobering slow-down on political experimenting with the system.

Then there is another, most favorable thing that should coax businessmen from their shells. Twenty million people who were looking for Government hand-outs in the Thirties have been turned into twenty million property owners by the prosperity of war. Keep them right—for they are the middle class core of the country, they hold the balance of power between "left" and "right."

This nation is desperately calling for dependable leadership instead of the wobbly, cynical, destructive dominance of the "Everything's-wrong Boys."

Here we are, a great and glorious country—shocked by peace and afraid of the future. Great gods and little fishes! Those are indeed new and strange sentiments for rugged, red-blooded Americans.

These economic busybodies of the now old order have shot the people through and through with fearful and fatalistic doctrines. They are always preparing us for the worst. They're about to dish up depression instead of prosperity.

Call Halt to Defeatism

Well, gentlemen, there is no earthly sense in standing by and watching this grim retreat from greatness. Let's call a halt to defeatism! Of all the nations in the world, we alone have the preeminent chance to keep the torch of freedom and free enterprise burning until the rest of the world recovers its senses.

This is a service beyond self, beyond profit, beyond the "call of duty." For, Mr. American Businessman, it is not important whether you alone will make a profit tomorrow. But, it is important for you to see that the opportunity for all men to take a loss or make a profit out of the fruits of their own free effort remains as an American liberty.

To be callous to this call is unthinkable. To be ignorant of the task is unmoral. To be apathetic to the responsibility would be an unforgivable crime on your part.

That you will not fail is in keeping with your splendid record of the past.

So go forth to your fellowmen with the assurance that the highest goals of human effort have not yet been achieved; that the future still belongs to those who work; that the only hope of living in a better new world lies in earning it; and finally, drive home the fact that it's going to take more bricklayers and fewer architects to build that bright, new world.

Hill in U. S. Chamber Post in France

Harry A. Hill, formerly economic advisor to allied military authorities in Greece and now general manager in charge of all the Gallic states for the American Express Company, has been elected to the directorate of the American Chamber of Commerce in France, according to Ralph T. Reed, President of the company.

Britain's Action in Iran Influenced By Russia's

The State Department made public on Dec. 14 the reply by Great Britain to the United States proposal that all foreign troops be evacuated from Iran by Jan. 1, 1946. The following is the text of the answer, according to a Washington dispatch to the Associated Press:

As the United States Government will recall, His Majesty's Government requested to the Soviet Government at the London meeting of the Foreign Ministers that the Soviet Government and His Majesty's Government should agree to withdraw by the middle of December their respective forces from the whole of Persia, except certain defined zones, leaving only small parties for the disposal of surplus property and installations.

The Soviet Government were unable to accept this proposal; nonetheless, His Majerty's Government proceeded with the arrangements suggested in their proposal to the Soviet Government and, except for small administrative parties, such British troops as now remain in Persia have been withdrawn southward as quickly as possible and are stationed in the extreme southwest of the country.

His Majesty's Government takes the view that the Allied troops were stationed in Persia only for the purposes connected with the war, and that the war being ended, they should withdraw as soon as possible. Therefore, upon the receipt of the United States Government's proposal that all Allied troops should be withdrawn from Persia before the first of January, 1946. His Majesty's Government as a matter of urgency commenced an examination of the practicability of withdrawing their forces by that date.

The Soviet Government, having intimated to the United States Government that they are not prepared to accede to the United States Government's proposal, British military authorities are not continuing their plans to examine the details involved in the arrangements for withdrawal by Jan. 1, 1946.

His Majesty's Government entirely agrees with the view that fulfillment of assurances contained in the Declaration of Teheran of Dec. 1, 1943, requires that the Government of Iran should have full freedom to move its armed forces in such manner as it considers necessary in order to preserve its authority and maintain internal security.

Parcels to Czechoslovakia

Postmaster Albert Goldman announced on Dec. 17 that information had been received from the Post Office Department, Washington, that ordinary (unregistered and uninsured) parcel-post service to Czechoslovakia is resumed subject to the same conditions as were in effect prior to the suspension of service. The advices further state:

"However, only one parcel per week may be sent by or on behalf of the same person or concern to or for the same addressee. The weight of each parcel is limited to 11 pounds and the contents are limited to nonperishable items which are not prohibited in the parcel-post mails to Czechoslovakia.

"The export control regulations of the Offices of International Trade Operations, Department of Commerce, Washington 25, D. C. (formerly the Foreign Economic Administration), are applicable to parcels for delivery in Czechoslovakia."

Agricultural Department Report on Winter Wheat And Rye Acreage Sown for 1946 Crop

The Crop Reporting Board of the United States Department of Agriculture made public on Dec. 20, its report showing the acreage and condition of winter wheat and rye for the crop of 1946 as follows:

Winter Wheat—The acreage of winter wheat seeded this fall is estimated at 51,940,000 acres, an increase of 3.6% over the acreage seeded last fall. Winter wheat seeded acreage has been above 52 million acres in only two years, 57.1 million in 1937 and 55.5 million in 1938. The 10-year (1934-43) average is 46,757,000 acres.

The acreage seeded for the 1946 crop is smaller than the acreage last year in the eastern half of the United States, but larger in the western half. In the eastern half the delay in harvesting 1945 crops, rains in late September and wet fields at usual seeding dates interfered with land preparation and seeding. In the Great Plains and other western States, the increase was encouraged by very favorable weather for seeding, good prices, a successful 1945 season and more land available for wheat. The greatest decrease in acreage was in the North Atlantic and East North Central States, most pronounced in New York, Ohio, Indiana and Michigan, where late harvesting of corn and soybeans, and wet fields prevented planting all of the intended acreage. Material increases occurred in the Southern Great Plains States. In Kansas, there was no increase. The greatest increases were in Texas, New Mexico, Colorado, Montana, California and the Pacific Northwest.

The reported condition of winter wheat on Dec. 1 is lower than a year ago, but is above average for the United States. In all of the North Central and Great Plains States condition is lower than a year ago but it is above last year in States west of the Great Plains. In the area where condition is below last year, excessive fall rains in the eastern States and dry top soil in some western areas were the primary causes. These factors resulted in considerable late planting, and retarded germination and plant growth in the dry areas. Prospects are very promising in the Pacific Northwest.

On the basis of the relationship of such factors as Dec. 1 conditions and weather through November with seeded yields, a 1946 winter wheat production of about 751 million bushels is indicated. This is approximately 9% below last year but is 28% above the 10-year (1934-43) average production. The indicated yield of 14.5 bushels per seeded acre is 1.9 bushels per acre lower than last year, but 1.8 bushels per acre above average. The indicated acreage that will not be harvested for grain is 11.4% of the total planted acreage, compared with 6.9% last year, 12.1% in 1944 and the average of 17.3%.

Rye: The acreage of rye sown for all purposes in the fall of 1945, at 3,721,000 acres is 17% less than sown a year ago and 41% less than average. The seeded acreage includes that intended for hay and pasture, soil improvement purposes, as well as rye to be harvested for grain, and an allowance for spring seeding in States growing spring rye. The acreage is substantially less than 1944 seedings in all States, except Colorado and Oregon, where it is the same, and North Dakota, Montana, New Mexico, Utah, and California, where increases are recorded. In North Dakota the 52% increase follows three successive years of marked decreases. The distribution of rye acreage has been undergoing important changes during the past three or four years. Based on the average of the crop years 1934-43, the States of North Dakota, South Dakota, Nebraska and Minnesota, in the order named, were the leading rye States, and seeded an acreage which was 49% of the U. S. total. However, in the fall of 1945 the seeded acreage in these States is only 31% of the national total. The acreage seeded this fall in North Dakota is only 26% of average, in South Dakota 36%, in Nebraska, 63%, and in Minnesota, 29%. The States with the largest acreage seeded this fall, in the order named, are Nebraska, South Dakota, North Dakota and Oklahoma. The principal reasons for acreage decreases in the important rye grain-producing areas are competition with crops more urgently needed, and the unfavorable income per acre of rye in relation to other crops. Additional causes are scarcity of seed in some areas, relatively high priced seed, unfavorable weather at seeding time, and less need for fall pastures in the eastern States this year than a year ago.

The condition of rye on Dec. 1 is reported at 83% of normal, five points below that reported a year ago and seven points above the 10-year average. The condition of the crop is relatively more favorable compared with average in the western States and in North Dakota than in South Dakota, Nebraska and other important rye grain producing areas.

Would Modify U. S. Sovereignty On Atomic Bomb

In an address on Dec. 11 it was advocated by Senator J. William Fulbright, Democrat, of Arkansas, that America sponsor at the Moscow Big Three meeting of foreign ministers proposals by which national sovereignty would be yielded to the degree necessary to make atomic control possible. In thus reporting the view of Senator Fulbright, the New York "Herald Tribune" of Dec. 12 stated that he spoke at the concluding sessions of the American Pharmaceutical Manufacturers' annual meeting, in the Waldorf-Astoria Hotel, New York. According to the paper indicated, Mr. Fulbright said that "the concept of absolute national sovereignty is utterly inconsistent with the creation of effective international rules of conduct which are enforceable." He added:

"If national sovereignty means anything," he continued, "it means the power to control the destiny of a nation. But we have no such power. The decision to go to war was made in Tokyo and Berlin."

Cotton Exchange Year Book Published

The 1944 Cotton Year Book of the New York Cotton Exchange is now off the press and available for distribution. This is the 17th Cotton Year Book issued by the Exchange and contains, in addition to such of those series of statistics given in previous editions as are now available, several new tables on subjects of interest to the cotton trade. Included in the new material are a history of Government loan programs, month-end stocks of Government-controlled cotton, and data on total and per capita consumption of cotton and other apparel fibers in the United States.

New York Cotton Exchange Year Books are recognized as a standard reference work on the world cotton trade, and are designed for the use of executives in the cotton industry, economists, businessmen, bankers, and others interested in the staple.

Shows Growth of Governmental Debts

Census Bureau Issues Preliminary Statement on Rise in Federal, State and Local Government Debt Since 1902. Indicates Some Decline in Local Government Indebtedness in War Years but Tremendous Increase in Federal Obligations.

On June 30, 1945, as the second World War was drawing to a close, the U. S. Bureau of the Census reported the combined debt of all the 155 thousand governmental units—Federal, State, and local—stood at $275 billion, an increase of $57 billion, or 26%, from June 30, 1944. Compared with the summer of 1940, when American rearmament began, the increase is $212 billion, or 336%.

Of the 1945 total, Federal debt accounted for nearly $259 billion, State debt for $2.4 billion, and local debt for $14.2 billion.

Growth of Public Debt

As shown in the table, the total governmental debt of $275 billion in 1945 was 436% of the $63 billion debt outstanding for all Federal, State and local governments in 1940.

The growth in national income, although phenomenal during the war, has not been in an amount or at a rate to equal the debt rise. The spread between national income and public debt has been widening at an accelerated rate since 1942, when total debt was but 76% of estimated national income. By 1945, total public debt was 75% larger than the national income of $157 billion estimated (preliminary) by the Bureau of Foreign and Domestic Commerce.

Federal Debt and War Expenditure

The financial burden of preparing for, and conducting, a global war fell upon the Federal Government. As a result, the movement of Federal debt dominated the changing pattern of total governmental debt.

While Federal revenue rose from $5 billion in 1940 to $46 billion in 1945, expenditure increased from $9 billion to $100 billion during the same period. War activities accounted for 50% of total expenditure in 1941 and for 90% in 1945. Revenue paid for 42% of total Federal expenditure from 1941 through 1945, in contrast to about 30% in the first World War. Borrowings paid for 58% of Federal expenditure during the second World War, resulting in the $216 billion rise in Federal debt since 1940.

State and Local Debt Decreasing

The movement of State and local governmental debt has been in the opposite direction from that of the Federal Government debt, as disclosed in the accompanying table. This part of the public debt decreased $3.6 billion, or 18% since 1940. The decrease from 1944 to 1945 was 5%.

During the war all State governments reduced their debts, some by substantial amounts. As shown in the Census Bureau's recent report, "State Debt in 1945," **State Finances: 1945.** Vol. 2, No. 3, every State government lowered its debt during the past fiscal year. Local governments have also been reducing their debts, but at a lower rate.

Limited opportunity for capital expenditure, resulting from war restrictions, and steadily increasing revenue—especially of the States—in the wake of expanding economic activity and rising national income, account for the substantial and continuous contraction of State and local governmental debt during the war years.

GOVERNMENTAL DEBT IN THE UNITED STATES: 1945

Federal, State and Local Government Debt: Selected Years 1902 to 1945

Data for years beginning in 1940 are as of June 30, and they necessarily vary from information for diverse closing dates of fiscal years shown in other Census publications. Earlier data are as of ends of fiscal years.

Year—	Total	*Federal	†State and Local		
			Total	State	Local
Gross Debt Outstanding (Amounts in millions)					
1945	$275,234	$258,682	‡$16,552	$2,425	$14,164
1944	218,429	201,003	‡17,426	2,768	14,703
1943	155,341	136,696	‡18,645	2,909	15,783
1942	92,064	72,422	‡19,642	3,211	16,479
1941	69,143	48,961	‡20,182	3,413	16,812
1940	63,169	42,968	‡20,201	3,526	16,720
1932	39,049	19,487	‡19,562	2,896	16,680
1922	33,219	22,963	10,256	1,163	9,093
1912	5,692	1,194	4,498	423	4,075
1902	3,372	1,178	2,194	270	1,924
Percent Distribution, by Type of Government					
1945	100.0	94.0	6.0	.9	5.1
1944	100.0	92.0	8.0	1.3	6.7
1943	100.0	88.0	12.0	1.9	10.1
1942	100.0	78.7	21.3	3.5	17.9
1941	100.0	70.8	29.2	4.9	24.3
1940	100.0	68.0	32.0	5.6	26.5
1932	100.0	49.9	50.1	7.4	42.7
1922	100.0	69.1	30.9	3.5	27.4
1912	100.0	21.0	79.0	7.4	71.6
1902	100.0	34.9	65.1	8.0	57.1
Index of Change, 1940=100					
1945	435.7	602.0	81.9	68.8	84.7
1944	345.8	467.8	86.3	78.5	87.9
1943	245.9	318.1	92.3	82.4	94.4
1942	145.7	168.5	97.2	91.1	98.6
1941	109.5	113.9	99.9	96.8	100.6
1940	100.0	100.0	100.0	100.0	100.0
1932	61.8	45.4	96.8	82.1	99.8
1922	52.6	53.4	50.8	33.0	54.4
1912	9.0	2.8	22.3	12.0	24.4
1902	5.3	2.7	10.9	7.7	11.5
Percent of National Income					
1945	175.3	164.8	10.5	1.5	9.0
1944	135.9	125.1	10.8	1.7	9.1
1943	105.0	92.4	12.6	2.0	10.6
1942	75.7	59.6	16.2	2.6	13.6
1941	71.4	50.5	20.8	3.5	17.4
1940	81.4	55.4	26.0	4.5	21.5
1932	97.7	48.7	49.0	7.2	41.8
1922	55.6	38.4	17.2	2.0	15.2
1912	16.1	3.4	12.7	1.2	11.5
1902	16.3	5.7	10.6	1.3	9.3

*Debt of the United States Government; includes general treasury obligations borrowed on behalf of Federal agencies and excludes Federal agency debt incurred outside of general treasury. Insofar as Federal Government utilities and enterprises are financed through general and special accounts, the Federal debt comprises both general purposes and government enterprises.

†Comprises debts both for general purposes and for government enterprises.

‡Total is less than the sum of State and local public debt in seven years because of the exclusion of State debts for reloan to local governments, which duplicate local obligations held by State governments.

Freight Cars on Order Dec. 1 Again Off

The Class I railroads on Dec. 1, 1945, had 35,908 new freight cars on order, the Association of American Railroads announced on Dec. 24. This included 12,421 hopper, 4,425 gondola, 971 flat, 13,736 plain box, 3,568 automobile, 737 refrigerator, and 50 miscellaneous cars. New freight cars on order Nov. 1, last, totaled 37,904 and on Dec. 1, 1944 amounted to 28,910.

They also had 484 locomotives on order on Dec. 1, this year, which included 104 steam, four electric, and 376 Diesel locomotives. This compares with 90 steam, two electric and 403 Diesel one year ago.

The Class I railroads put 36,418 new freight cars in service in the first eleven months of this year, which included 8,119 hopper, 5,637 gondola, 765 flat, 239 stock, 1,858 refrigerator, 1,919 automobile and 17,781 plain box freight cars, and 99 miscellaneous cars. Total placed in service in the first eleven months of 1944 was 35,972 cars.

They also put 602 new locomotives in service in the first eleven months of 1945, of which 92 were steam and 510 were Diesel. New locomotives installed in the same period last year totaled 846, which included 305 steam, one electric and 540 Diesel.

Halsey Acclaimed By New York

Another war hero to be greeted by New Yorkers was Fleet Admiral William F. Halsey, Jr., commander of the Third Fleet, who was given the traditional enthusiastic reception on Dec. 14 in spite of snow and freezing weather. The admiral made a triumphal tour of Queens, Brooklyn and Manhattan, and at City Hall he was awarded the city's medal and citation by Mayor LaGuardia, who lauded him, according to the New York "Times", as "daring, dashing, determined and devastating".

That evening, at a testimonial dinner given by the city at the Waldorf-Astoria Hotel, Admiral Halsey made an address in which he expressed deep disapproval of plans to merge the armed forces. Said the Admiral, "Until the proponents of this measure can give us some real proof that we stand to gain by it, let us keep our victorious Navy. Let us keep it intact and unshackled. Keep it free and it will keep America free."

Senate Approves Govt. Employees' Pay Rise

After two weeks of intermittent discussion, the Senate on Dec. 18 voted for legislation which would repeal a 16% wage increase given Federal workers last July 1 and substitute increases on a graduated scale for more than 1,000,000 government employees in classified civil service. On the basis of their pay last July 1, under the new plan they would receive a 36% increase on wages up to $1,200, 18% increase on wages from $1,200 to $4,600, and 9% extra on all wages above $4,600 up to a limit of $10,000. The vote was 62 to 3 for the bill, according to Associated Press Washington advices, which stated that the bill is now to be acted on by the House.

Another piece of civil service legislation sent to the House by the Senate, after passage, was a bill to allow full credit under the civil service act, for retirement purposes, for the time passed in military service by Federal employees.

From Washington Ahead of the News

(Continued from first page)

portance of Washington, it is not to be a place to which a delegate can bring his family and give his daughter a debut. It is not to have the importance of a fashionable foreign capital. Apparently, the headquarters are to be located at Philadelphia, Boston or Atlantic City, or some such place. There is nothing particularly distinctive about living in any one of those places, not for those of the ambassadorial mind which the UNO was intended to be a haven for. Imagine the let-down of socially ambitious Americans of wealth who think of bringing their daughters out at the Court of St. James, in Paris, Brussels, to be confronted with the proposition of bringing them out at the Court of Boston, Philadelphia, or Atlantic City.

When the internationalists, or rather the professional internationalists, went for this UNO, they were thinking of trips to the Old World, not to Atlantic City, Boston or Philadelphia. They were thinking of an atmosphere of Barons, Lords, Dukes and Commissars. Around Atlantic City, Boston and Philadelphia there are political bosses, some of them convicted and serving or having served terms in jail.

It is one thing to cooperate with the world, to be world-minded, to realize that the world has shrunk—it is one thing to do this at Geneva, Brussels, one of the famous spas, and an entirely different thing to be so broad-minded in an ordinary American city. One misses, don't you know, the continental foods, the continental habits and particularly what before the war was their reduced rate of exchange which made it so delightful for unsuccessful American writers and American women pensioners.

Our horde of foreign correspondents who enjoyed the European living, with the difference in exchange, and who were among the first whoopers up for a World Government, completely lose their interest now. Covering the sessions of this great UNO do not involve a flight abroad, simply a trip on a bus or a day coach out of New York or Washington. If this is to be the price for world peace, you can rest assured that this gentry will not want to pay it. By selecting this country for the capital, the whole fascinating, intriguing business of world cooperation becomes as ordinary and as less involved as a murder trial.

Furthermore, pulling this trick, the Europeans could not have had much confidence in the UNO. It may have been a thought with them that if the world capital were given to us, there would be no chance of our losing interest in world affairs; that with the capital in our midst just like U. S. Steel and General Motors, we would take a particular pride in maintaining world cooperation as a going concern.

But they overlooked our commentators, and our gossip columnists and our other forms of journalism. They should have been forewarned by what happened at San Francisco, the coverage of which reached a new low of not only national but international affairs.

Try to envisage the American newspaper and radio coverage of the first sessions of the UNO at Atlantic City, Boston or Philadelphia or any other place in the East. They will be gala affairs, circuses, with a full description of what the wives are wearing, who is entertaining, the idiosyncracies of the foreigners, a complete recital of what is known as gents' room journalism.

To add to the gayety there will be Mrs. Roosevelt, such a diplomat as to make an attack recently on Madame Chiang Kai-shek. The friendly commentators are explaining that her appointment was logical. Not logical, but inevitable under the circumstances. After a session with her, and her writing about it in a newspaper column, the delegates are apt to conclude that war is preferable.

But all in all, it is this writer's conscientious prediction that after a few sessions of such pageantry as no European capital would be likely to afford (bear in mind, this is our first opportunity at having a world capital), this great episode of America's advance in civilization will be relegated to the obituary page of the newspapers such as now occupied by the SEC, which, because of crowded conditions in the Washington bureaucracy, had to move to Philadelphia.

And by the way, wholly away from this subject, neither Congress nor the executive branch of the Government intends to do anything about the capital gains tax next year.

UNO Becoming Real World Factor

The United Nations Preparatory Commission on Dec. 18 approved Jan. 10 as the date for the first meeting of the UNO Assembly, Associated Press advices from London State. At that time the Preparatory Commission's selection on Dec. 15 of the United States as the site of the future headquarters of the United Nations Organization will be presented for the Assembly's approval. No specific place within the United States has yet been decided upon for the location.

On Dec. 19 final approval was given by the United States legislature to the measure which makes this country an active force in the UNO. The bill was signed by the President, who also nominated the American representatives and alternates for the first meeting of the General Assembly. Confirmed by the Senate the following day, according to advices to the New York "Times, they are:

Delegates—Edward R. Stettinius, Jr., of Virginia; Senators Tom Connally, Democrat, of Texas, and Arthur H. Vandenberg, Republican, of Michigan, and Mrs. Anna Eleanor Roosevelt of New York.

Alternates—Representatives Sol Bloom, Democrat, of New York, and Charles A. Eaton, Republican, of New Jersey; Frank C. Walker of Pennsylvania, John Foster Dulles of New York and John G. Townsend, Jr., of Delaware.

All are expected to sail on Dec. 30 for the London meeting.

President's Thanks To Armed Forces

A "testimonial of appreciation", bearing the Presidential seal, will be given by President Truman to all men and women who have served in the Army, Navy, Marine Corps or Coast Guard after Sept. 16, 1940, and who now have or will receive honorable discharges, it was announced by the Army and Navy on Dec. 17, according to Washington advices of the Associated Press. The testimonial will state:

"To you who have answered the call of your country and served in its armed forces to bring about the total defeat of the enemy, I extend the heartfelt thanks of a grateful nation. As one of the nation's finest, you undertook the most severe task one can be called upon to perform. Because you demonstrated the fortitude, resourcefulness and calm judgment necessary to carry out that task, we now look to you for leadership and example in further exalting our country in peace."

Observations

(Continued from first page)

he will light in an Administration choice of the long-term direction of the interest rate. One Treasury faction, under the leadership of former Under-Secretary Bell, has battled consistently for the maintenance of rates no lower than existing levels. It has contended that a reasonable return is indispensable to the non-inflationary distribution of the government's securities. With Mr. Bell's departure from government service, practically only the Federal Reserve Board now remains to champion that cause.

Another treasury group, centering around Messrs. Haas and Murphy, have been fighting for a reduction in the long-term rate down to 1%. On the Keynesian line their professed purpose is "to prevent over saving." But in stopping saving such a policy would in the foreseeable future dangerously swell the forces of consumer-inflation. This group also wishes to reduce the short-term certificate rate below ⅞%, in which case corporations surely will not deem it worthwhile to buy them.

* * * *

The widespread practice of blaming our shortcomings in international affairs on the "low calibre" of our Congressmen has always seemed superficial and "escapist" to this columnist. It overlooks the real question as to the extent to which our democratic system necessitates our pursuing political motivations. This problem is now again brought forward in the executive branch, with the President's vitally important appointment of our delegation to the United Nations Organization. Apart from the necessity of cementing the continuing goodwill of Congress through the bi-partisan appointments of Messrs. Connally, Vandenberg, Bloom, and Eaton at this crisis in the course of civilization, surely pure political expediency dictated the selection of former Democratic National Committee Chairman and Postmaster General Frank C. Walker, and Chairman of the Republican Senatorial Campaign Committee John G. Townsend Jr.

Under **all** systems of government today it unfortunately seems psychologically necessary for the Chief of State to prove his "leadership" quality by exhibitions of foolish bravery. Candidate Roosevelt's public bath in an open automobile in New York City during the 1944 campaign may have been justified by the dire political necessity of quashing the rumors about his health. But President Truman's extremely hazardous Christmas plane flight through the sleet exemplifies this kind of show as an absurdly needless danger to the national welfare.

* * * *

On the testimony of C.I.O. Secretary-Treasurer James Carey—recently returned from a trip to the Soviet Union—irrespective of the Russian people's condtiion in the Czarist days, the great Communist industrial machine still is showing no signs of hitting on all cylinders. For in his speech at the giant Russian Relief meeting in New York's Madison Square Garden last week he reported that under prospective 5-year housing plans, each Leningrad resident will have space measuring only nine feet square, with a family of four living in one room. Although it is hoped in four years to supplant wood-burning stoves with gas, for cooking in Moscow and Leningrad, the general situation regarding not only fuel, but food and clothing, is and will remain dismal. Mr. Carey found that German prisoners could not be used for heavy work, because of the certainty of their collapse on the Russian's average diet.

Counsel Staff Quits Pearl Harbor Inquiry

In protest over the slow pace at which the inquiry has been proceeding the entire legal staff of the joint Senate-House Committee investigating the Pearl Harbor disaster resigned on Dec. 14, according to Associated Press Washington advices, which added that Senator Alben W. Barkley (D.-Ky.), Committee Chairman on whose motion the group was created, said that he too was thinking of resigning his post in the inquiry.

William D. Mitchell, chief counsel of the Committee, said that he and his staff would help any new counsel the Committee might obtain to become acquainted with the investigation proceedings, but that they could not remain longer themselves than the early part of January. Senator Barkley described the withdrawal of the legal staff as a "tragic" development confessing that he had "no idea" who might be willing to take over its work.

In concluding his 700-word statement requesting release, Mr. Mitchell declared, according to the Associated Press:

"I had hopes to perform a useful public service in aiding to present publicly all the pertinent facts which would permit the Committee, the Congress, and the public to answer the questions in their minds. Our entire staff has worked days, nights and Sundays for two months and a half. We have produced, or prepared for introduction, much pertinent evidence that has never been produced at any previous inquiry about Pearl Harbor. We are all depressed that because of the course of the proceedings we have not been able to present it.

"It is necessary for me to ask the Committee to arrange for other counsel to carry on. If that is done with reasonable promptness there should be no serious break in the hearings. We have already done a large part of the work in digging out and organizing basic material and documents, and arranging for the witnesses.

"I want to make it clear that there has been no restriction placed upon counsel by any member of the committee or by any agency of the Government as far as presenting pertinent evidence is concerned. We have had access to all pertinent records and have received complete co-operation from all Government departments concerned. I feel sure that this same condition will continue. We will make every effort to aid the new counsel in preparing for their work and, during that process, we can, if the Committee desires, continue, for the rest of December and for a short time in January, presenting evidence to the Committee so that the new legal staff can pick up the case and carry on."

In discussing the possibility that he, too, might withdraw from the investigation by resigning as chairman, Senator Barkley informed his colleagues that he expected to reach a final decision in the next few days. Before making it, he said, according to the Associated Press, he would weigh his "relative obligations" to the Committee and to the Senate, where he is majority leader.

Weekly Electric Output Figures Delayed

It is announced that the report on power output for the week ended Dec. 22, 1945 will not be released by the Edison Electric Institute until tomorrow (Friday) morning at 9 a. m. due to the Christmas Day holiday.

The report for the week ended Dec. 15, 1945, with comparisons, will be found in the "Commercial and Financial Chronicle" of Dec. 20, 1945, page 3060.

Lindbergh Urges Military Backing for World Organization

In his first public address since 1941, Charles A. Lindbergh, at a celebration of the forty-second anniversary of the Wright brothers' flight, urged formation of a world organization backed by military power and guided by the qualities represented in Christian ideals, the Associated Press reported from Washington, Dec. 17. Pointing out that scientific advances have made it "no longer a question of whether or not we should have world organization, but of what form it should take," the pre-war non-interventionist stated that he pleads "for strong military forces only because I believe the alternative is worse".

The world organization, he suggested, according to the Associated Press, will be a compromise between "the nations which have control on the basis of ability" and "the nations which would control on the basis of counting heads." Whatever its form, he concluded, it must hew to a Christian code of "integrity, humility and compassion that are lacking all over this post-war world."

Period for Exchange of Colombian Bonds Extended

Holders of Republic of Colombia 6% external sinking fund gold bonds, dated July 1, 1927, due Jan. 1, 1961, and those dated April 1, 1928, due Oct. 1, 1961, are being notified that the time within which they may exchange their bonds and appurtenant coupons for Republic of Columbia 3% external sinking fund dollar bonds due Oct. 1, 1970, under an offer dated June 5, 1941, has been extended from Dec. 31, 1945, to Dec. 31, 1946. It is also announced that the period for the exchange of convertible certificates issued under the offer of the Republic has been similarly extended. Holders of Colombian Mortgage Bank bonds, under an offer dated June 25, 1942, also may exchange them for the 3% external sinking fund dollar bonds of the Republic of Columbia. This offer must be accepted by July 1, 1946.

Copies of these offers may be obtained upon application to the National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

N. Y. Savings Banks Report Gain in Deposits

November gains of $65,497,992 in savings deposits of the 131 New York State savings banks was reported recently by Robert M. Catharine, President of the Association, although the net loss in accounts was 1,729. "The loss in accounts is not an actual falling-off of the number of depositors," Mr. Catharine explained, "for during the month abandoned accounts, that is, accounts that have not been used for 15 years, were required to be turned over to the State. Actually, over 87,000 new accounts were opened as compared with approximately 75,000 a year ago." In November, 1944, the gain in dollar deposits was $80,405,666.

It is indicated that the total number of accounts has now reached 6,647,069 and total deposits, $8,144,345,435 as of Nov. 30, 1945. This represents an increase of 267,833 accounts since November, 1944, and a deposit increase for the 12-month period of $1,165,863,585.

Savings Banks Acquire Site and Announce Plans For Housing Development in Brooklyn

Successful bidders for the 7.4-acre housing site adjacent to the Brooklyn Civic Center were a group of Brooklyn savings banks represented by Philip A. Benson, President of Concord Freeholders, Inc., and President of the Dime Savings Bank of Brooklyn. Fifteen savings banks in Brooklyn united to acquire this site and erect a modern housing development for 1,000 families in the heart of downtown Brooklyn. In making this known the Savings Banks Trust Co. on Dec. 19 said in part:

"The site, surrounded by Jay, Tillary, Adams, Sands and Pearl Streets and the Sands Street Naval Depot, will be redeveloped as a master block with 11 modern apartment houses, and will be known as Concord Village. The land was acquired for $1,003,065 at the auction held by the city today and according to Mr. Benson, "building will get under way just as fast as we can do it."

From the preliminary plans made public following the auction, Concord Village will contain 3,000 rooms made up into 968 apartments from 1½ to 4½ rooms, each with adequate store facilities to provide shops and markets for the tenants.

"The project, according to the City Planning Commission, is now in the category of any other privately owned development, except that plans for its construction will, by agreement, be submitted to the Commission for its approval. But otherwise, there will be no special control. It is being entirely financed by the savings banks both as to equity interest and mortgage.

"The apartments will provide the utmost in modern improvements. Large rooms and ample closet space are provided in every unit. The three-room apartments, for example, are composed of a foyer, a 20 x 13 living room, a 15 x 12½ bedroom, kitchen and bath, contain five closets and have two exposures. The entire project will be thoroughly fireproof throughout and will have such features as metal-covered doors, metal windows and conveniently located metal stairs to all exits. Laundry facilities, incinerators and electric elevators of the self-operating automatic type are all provided in the buildings, as well as ample parking space for the tenants' automobiles.

"The banks participating in the project are: Brevoort Savings Bank of Brooklyn, Brooklyn Savings Bank, Bushwick Savings Bank, City Savings Bank of Brooklyn, Dime Savings Bank of Brooklyn, East Brooklyn Savings Bank, East New York Savings Bank, Flatbush Savings Bank, Fulton Savings Bank of Kings County, Hamburg Savings Bank, Kings County Savings Bank, Lincoln Savings Bank of Brooklyn, Prudential Savings Bank, Roosevelt Savings Bank and Williamsburgh Savings Bank. Agent for Concord Freeholders, Inc., and the stockholding savings banks in the development of the project is the Savings Banks Trust Company."

Labor Dept. Price Index* Up in October

Retail prices of goods and services used by moderate-income city families showed no change on the average between mid-September and mid-October, according to the Bureau of Labor Statistics of the U. S. Department of Labor. Clothing costs increased further by 0.1%, while prices for all other groups of items in the index decreased slightly by 0.1%. The consumers' price index for Oct. 15 and Sept. 15, 1945 was 128.9% of the 1935-39 average.

The Labor Department's announcement issued Nov. 30 also stated:

"Food costs in large cities declined 0.1% during the months, as meats decreased 0.5% and fruits and vegetables showed no change. Sweet potatoes and cabbage prices dropped seasonally by 10 and 6%, while spinach and green beans increased 12% and 8%, respectively. Prices of apples advanced 2.3% following ceiling adjustments in August and September; they are now 13.6 cents per pound as compared with 4.0 cents in October 1939. Effects of the removal of subsidies on butter and peanut butter late in October and any price changes due to the lifting of rationing on meats on Nov. 24 will not be reflected in the index until November and December.

"Clothing costs continued to edge upward between mid-September and mid-October as sustained civilian demands coupled with the purchase of returning service men, further depleted stocks of men's apparel. Higher-priced garments only were available. Increases were reported for topcoats, overcoats, suits, work trousers and overalls, business shirts, underwear, socks, sweaters, and felt hats. In the last month of shoe rationing, prices of men's shoes moved up slightly and shoe-repair costs advanced in a few cities.

"Average retail prices of housefurnishings and miscellaneous goods and services decreased 0.1% over the month. Prices of sheets advanced more than 5% due to the adjustment of retailers' margins for increases previously allowed manufacturers.

"The decline of 0.1% for miscellaneous goods and services represents the first decrease that has occurred in this group since June 1940. Reductions in transportation costs to the Atlantic Coast lowered gasoline prices between 3% and 6% in eastern cities. Cigarette prices dropped in a number of cities as retailers resumed their practice of selling cartons and two or more packs at a time. Charges for beauty-shop services increased in four cities.

"Fuel, electricity and ice costs declined 0.1%. Lower gas rates to consumers in Denver resulted from a decrease in wholesale prices growing out of a recent Supreme Court decision.

"Rents are surveyed only during the quarterly months of March, June, September and December."

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*This index, formerly called the cost-of-living index, measures average changes in retail prices of selected goods, rents, and services, weighted by quantities bought by families of wage-earners and moderate-income workers in large cities in 1934-36. The items priced for the index constituted about 70% of the expenditures of city families whose incomes averaged $1,524 in 1934-36.

The index does not show the full effect of such factors as changes in quality and the availability of goods. During the war the quality of civilian goods has been lowered. The Bureau has attempted to account for the disappearance of low-priced merchandise by pricing the most similar article available. The President's Committee on the Cost of Living has estimated that such factors, together with certain others not fully measured by the index, would add a maximum of 3 to 4 index points to the index for large cities between January 1941 and September 1944. If small cities were included in the national average, another ½ point would be added.

The State of Trade

(Continued from page 3171)

York reports System output of 196,900,000 kwh. in the week ended Dec. 16, 1945, comparing with 190,800,000 kwh. for the corresponding week of 1944, or an increase of 3.2%. Local distribution of electricity amounted to 184,900,000 kwh., compared with 186,300,000 kwh. for the corresponding week of last year, an increase of 4.6%.

Paper and Paperboard Production—Paper production in the United States for the week ending Dec. 15 was 99% of mill capacity, against 99% in the preceding week and 89.3% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 98%, compared with 97% in the preceding week and 94% in the like 1944 week.

Business Failures Remain Low—Commercial and industrial failures took a slight downturn in the week ending Dec. 20 reports Dun & Bradstreet, Inc. Only 8 concerns failed as compared with 10 in the previous week and 15 in the corresponding week of 1944.

Seven of the 8 failures involved liabilities of $5,000 or more, and were down slightly from the 9 of last week and the comparable week a year ago. Small failures, 1, remained the same as last week and were much smaller than the 6 occurring a year ago.

Manufacturing accounted for three-fourths of the week's failures. Only 1 occurred in the retail trade as compared with 3 of the previous week and 3 of the same week last year. The wholesale trade which showed 5 failures a year ago reported none this week.

There were no Canadian failures, a sharp decrease from the 5 of last week. One Canadian failure was reported for the previous year.

Wholesale Commodity Price Index—Wholesale commodity markets were quite steady last week. The Dun & Bradstreet daily wholesale commodity price index fluctuated mildly during the period, closing at 182.02 on Dec. 18, as against 182.26 a week earlier. At this time a year ago it stood at 174.61.

Activity in grains was considerably less than in the previous week with interest centered largely in oats and rye. Cash wheat and corn continued in tight supply with ceiling prices bid for all offerings. Cash corn has remained at ceiling levels for virtually a year past. The continued scarcity in corn has resulted in a strong demand for oats which rose to ceiling levels on several occasions for the first time this year. Aided by reports of active foreign inquiries, rye moved upward at the close after fluctuating irregularly throughout the week. Government purchases in substantial quantities featured the flour market. Export flour demand and inquiry continued to expand but mill offerings were hesitant due to uncertainty over possible termination of the subsidy program. Ceiling prices ruled for practically all weights of hogs last week as more moderate receipts found ready clearance. Production of lard and pork fats continued on the increase with some accumulation noted at leading packing points.

Cotton continued to show marked firmness as both spot and nearby futures markets reached new high ground for the season and longer. Demand for the staple received some stimulation from mill price fixing in the 1945 crop positions. The more distant months were rather quiet with the tone somewhat easier owing to uncertainties in connection with next year's crop. Other strengthening factors were the outlook for large domestic and foreign demand for cotton in the near future and a cotton production for this year of only 9,195,000 bales, the smallest in twenty-five years. The uptrend in prices was held in check to some extent by current unsettled labor conditions and prospects of increased cotton plantings next year. Registrations under the cotton export program were in good volume but the movement of the staple into the Government loan and purchase programs remained at a very low level due to present high market values. Carded gray cotton cloth markets were reported generally withdrawn for the remainder of the year. Sales during the week were small and widely scattered.

In the Boston wool market, business in domestic types continued to taper off. Sales were very spotty and mostly in small lots needed to cover immediate requirements. Value of sales during the first week under the lower price schedule amounted to between 10,000,000 and 12,000,000 pounds, according to the U. S. Department of Agriculture. Although spot foreign wools were still scarce, some recent improvement in supplies was noted. Demand for all types of fine foreign wools, both spot and shortly-to-arrive, continued very active. In the woolen and worsted piece goods markets, production was said to be running about 30% greater than six months ago. Fabric deliveries, however, are reported from four to six weeks behind schedule.

Wholesale Food Price Index Unchanged—The wholesale food price index, compiled by Dun & Bradstreet, Inc., for Dec. 18, remained unchanged at the 25-year peak level of $4.16. This was 1.7% higher than a year ago when it stood at $4.09, and 4.0% above the comparative 1943 index of $4.00. Up for the week were rye, oats and potatoes, while declines occurred in eggs and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale and Retail Trade—The upward trend in retail volume was slowed last week by severe storms in various sections of the country, though the pressure of last minute Christmas purchasing somewhat counteracted this factor, reports Dun & Bradstreet, Inc., in its current review of trade. In some storm affected cities, spot reports placed weekly volume slightly below the previous week's level; for the country it was moderately over a year ago.

Christmas buying stimulated activity in many departments especially in children's wear, men's furnishings, lingerie, and neckwear. All accessories sold well with hosiery a much sought for item. Dollar volume of jewelry and cosmetics was higher than in the previous week, while shoe sales were sustained at the high level of a week ago. Fur volume exceeded last year's high totals.

Low-priced lamps have been popular gift items, but stocks were extremely low. Kitchen utensils appeared in more adequate supply than a year ago. Automobiles, radios, and washing machines were available only for display purposes and orders were taken for future delivery. Luggage showed a good demand, but supplies were limited. Florists reported orders flowing in for Christmas delivery. Christmas trees sold quickly last week and volume was over the previous week.

Food volume continued to rise. Peas, beets, celery, and some greens were plentiful, while other vegetables such as peppers, tomatoes, and string beans, affected by the freeze in Florida and Texas, were scarce. Supplies of lamb, veal, and beef were moderate with frankfurters and luncheon meats plentiful. The weather continued to limit fresh fish supplies in the New York area. Bakery sales increased and many orders were placed for Christmas goods.

Retail volume for the country was estimated to be from 6 to 10% above a year ago. Regional percentage gains were: New England 4 to 8, East and South 6 to 10, Middle West 5 to 9, Northwest 6 to 9, Southwest 7 to 11, Pacific Coast 7 to 12.

Wholesale volume declined slightly last week but was fractionally over a year ago. Low temperatures and snow adversely affected shipments. Rush re-orders for many types of notions, household wares, and apparel and accessories were placed. Stocks of Winter apparel became even more depleted last week with delivery dates on spring orders further extended.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 15, 1945, increased by 14% above the same period of last year. This compared with an increase of 10% in the preceding week. For the four weeks ended Dec. 15, 1945, sales increased by 10% and for the year to date showed an increase of 11%.

With Christmas shopping nearing its climax, retail trade here in New York last week showed an estimated increase of 30% over the like week of 1944. This was the largest percentage gain for the holiday season, which in general was marked by heavy spending, demand for higher price and luxury items and shortages of many gift goods. An extremely strong demand for foods obtained during the week with wholesale volume running ahead of last year.

Many wholesale markets were affected by pre-holiday dullness and textile and garment producers continued to be confronted with a lack of goods. In the furniture trade activity was for the most part at a standstill.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Dec. 15, 1945, increased 17% above the same period last year. This compared with an increase of 16% in the preceding week. For the four weeks ended Dec. 15, 1945, sales rose by 15% and for the year to date increased by 15%.

Moody's Common Stock Yields

For yields in prior years see the following back issues of the "Chronicle": 1941 yields (also annually from 1929), Jan. 11, 1942, page 2213; 1942 levels, Jan. 14, 1943, page 202; 1943 yields, March 16, 1944, page 1130; 1944 yields, Feb. 1, 1945, page 558.

MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
January, 1945	4.4	6.3	5.2	3.3	3.6	4.6
February, 1945	4.2	5.9	5.0	3.3	3.4	4.3
March, 1945	4.4	6.2	5.1	3.6	3.5	4.6
April, 1945	4.1	5.5	4.8	3.4	3.4	4.3
May, 1945	4.1	5.5	4.7	3.4	3.3	4.2
June, 1945	4.1	5.3	4.6	3.3	3.4	4.2
July, 1945	4.1	5.6	4.5	3.4	3.4	4.3
Aug., 1945	3.9	5.7	4.5	3.4	3.4	4.1
Sept., 1945	3.8	5.3	4.3	3.4	3.3	3.9
Oct., 1945	3.7	5.2	4.2	3.1	3.1	3.8
Nov., 1945	3.6	4.8	4.0	3.2	3.2	3.7

ABA War Bond Drive Chairman Praises State Associations

Francis M. Knight, Chairman of the ABA War Bond Drives Committee, and Vice President of the Continental Illinois National Bank & Trust Company, Chicago, Ill., in a letter addressed to the secretaries of the State Bankers Associations, expressed "deep appreciation for the splendid help that you have given us during the Victory Loan Drive. All of you have been very cooperative and have lightened considerably the task which the American Bankers Association had given us."

The letter read at the meeting of the State Association Section of the American Bankers Association at St. Louis, Dec. 11, by Frank C. Rathje, President of the Association, further said:

"It is no exaggeration to say that the nation could not have mobilized for total war and complete victory without a healthy and cooperative banking structure. The banking system gave the Government its full support and you have made an important contribution in building up an effective organization which has been of immeasurable aid to the Treasury in helping it to conduct the greatest money-raising campaign in the world's history. A creditable job has been done and it is one in which we can all take pride.

"The Treasury has expressed to us on innumerable occasions its appreciation of our cooperation. Apart from our own record in the sales of war and savings bonds to our depositors, one of our greatest accomplishments has been the physical task of processing the volume of subscriptions which flowed through our banks to the Federal Reserve banks and the Treasury. Over one billion individual pieces of Series E bonds alone have been sold during the war period, in addition to the millions of pieces of other securities which have been part of the drives, and the quick and efficient manner in which we have handled the flood of subscriptions which poured through our institutions has won the praise and admiration of Treasury officials.

"Most of our 300,000 bank employees have contributed freely of their time and energy not only in caring for this extra volume of work on top of their normal duties but also in actually soliciting subscriptions both at their places of business and in their leisure hours. We owe them a great debt of gratitude. Although acting as volunteers in the sale of billions of dollars of bonds and contributing the services of many of their officials as leaders in the various drives, the banks have spent thousands of dollars of their own money in newspaper, radio, and billboard advertising, and for the publication and distribution of literature in support of the various war loan campaigns and in the interim period between drives. The banking system as a whole was glad to do this as its contribution to the national war effort.

"One of the most significant achievements of the war financing program has been the widespread distribution that has been obtained for the public debt. War and Victory Loan bonds were sold to more than 85,000,000 Americans in every income group. It is important that this distribution of the debt be maintained so that the public may have a direct interest in the manner in which it is handled in the years to come. That is one of the reasons why the American Bankers Association is supporting the Treasury's plan to continue the sale of savings bonds indefinitely in the post-war period.

"It is in our own interest, as well as that of the public, to maintain the stability of the nation's financial structure, and to bring about a balancing of the budget. We, therefore, should take advantage of every opportunity to emphasize the necessity of a close and harmoniious working relationship between the banking system and the Treasury, and to indicate our willingness to cooperate in any constructive plan which makes for a sounder economy which means a better and a happier America."

The State Bankers Associations were also highly complimented by Frank C. Rathje, President of the American Bankers Association, in an address opening the meeting of the State Association Section. Mr. Rathje, who is President of the Chicago City Bank and Trust Company of Chicago, stated that "the value of the contributions which banks made to the prevention of inflation by securing broad participation in bond purchases by individuals is an achievement of which they may justly be proud."

Result of Treasury Bill Offering

With respect to the previous issue of $1,300,000,000 of 91-day Treasury bills dated Dec. 7 and maturing March 27, the Treasury on Dec. 17 disclosed these results:

Total applied for, $2,038,340,000.

Total accepted, $1,304,366,000 (includes $39,250,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.95, equivalent rate of discount approximately 0.376% per annum.

(59% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Dec. 27 in the amount of $1,300,610,000.

With respect to the previous issue of $1,300,000,000 of 91-day Treasury bills dated Dec. 20, and maturing Mar. 21, 1946, the Treasury on Dec. 17 disclosed these results:

The details of this issue are as follows:

Total applied for $2,030,823,000.

Total accepted, $1,316,463,000 (includes $54,353,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(60% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Dec. 20 in the amount of $1,306,700,000.

Lumber Movement—Week Ended December 15, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 433 mills reporting to the National Lumber Trade Barometer were 0.3% below production for the week ending Dec. 15, 1945. In the same week new orders of these mills were 7.9% below production. Unfilled order files of the reporting mills amounted to 81% of stocks. For reporting softwood mills, unfilled orders are equivalent to 28 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 3.7%; orders by 5.9%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 11.8% less; shipments were 5.0% less; orders were 28.9% less.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
Dec. 25			STOCK EXCHANGE CLOSED						
24			STOCK EXCHANGE CLOSED						
22	124.31	117.20	121.04	119.41	117.20	111.62	114.08	117.40	120.22
21	124.28	117.20	121.04	119.41	117.20	111.44	114.08	117.20	120.22
20	124.28	117.20	121.04	119.41	117.20	111.44	113.89	117.20	120.43
19	124.25	117.20	120.84	119.41	117.20	111.44	113.89	117.20	120.22
18	124.25	117.20	120.84	119.41	117.00	111.44	113.89	117.20	120.43
17	124.23	117.00	120.84	119.41	117.00	111.25	113.89	117.00	120.28
15	124.17	117.00	120.84	119.41	117.00	111.25	113.89	117.20	120.22
14	124.17	117.00	120.84	119.41	117.20	111.25	113.89	117.20	100.22
13	124.11	117.00	120.84	119.41	117.20	111.25	113.89	117.20	120.22
12	124.06	117.00	120.84	119.41	117.00	111.25	113.89	117.00	120.22
11	124.01	117.00	120.63	119.41	117.00	111.07	113.70	117.20	120.02
10	124.06	117.00	120.63	119.41	117.00	111.07	113.50	117.00	120.22
8	124.06	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22
7	124.05	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22
6	124.04	116.80	120.63	119.41	116.80	110.88	113.50	117.00	120.22
5	124.01	117.00	120.84	119.41	117.00	110.88	113.50	117.00	120.22
4	123.98	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
3	123.92	116.80	120.84	119.41	117.00	110.88	113.50	117.00	120.22
1	123.83	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
23	123.70	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
Oct. 26	122.92	116.22	120.63	119.20	116.22	109.60	112.93	116.41	119.82
19	123.08	116.22	120.63	119.20	116.22	109.42	112.75	116.41	119.82
11	122.76	116.22	120.84	119.00	116.22	109.42	112.56	116.22	120.02
5	122.56	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
21	121.97	115.82	120.43	118.80	116.02	108.88	112.19	116.02	119.61
14	121.98	116.02	120.84	118.80	116.02	108.70	112.19	116.22	119.61
7	122.09	116.02	120.63	119.20	116.22	108.52	112.37	116.02	119.61
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	124.31	117.20	121.04	119.61	117.20	111.62	114.08	117.40	120.43
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Dec. 23, 1944	120.55	113.50	119.00	117.80	113.31	104.48	108.70	113.89	118.20
2 Years Ago									
Dec. 24, 1943	119.55	110.70	118.20	116.02	110.88	99.04	103.13	113.12	116.22

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
Dec. 25			STOCK EXCHANGE CLOSED						
24			STOCK EXCHANGE CLOSED						
22	1.45	2.79	2.60	2.68	2.79	3.08	2.95	2.78	2.64
21	1.45	2.79	2.60	2.68	2.79	3.09	2.95	2.79	2.64
20	1.45	2.79	2.60	2.68	2.79	3.09	2.96	2.79	2.63
19	1.45	2.79	2.61	2.68	2.79	3.09	2.96	2.79	2.64
18	1.45	2.79	2.61	2.68	2.80	3.09	2.76	2.79	2.63
17	1.46	2.80	2.61	2.68	2.80	3.10	2.96	2.80	2.64
15	1.46	2.80	2.61	2.68	2.80	3.10	2.96	2.79	2.64
14	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.79	2.64
13	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.79	2.64
12	1.46	2.80	2.61	2.68	2.80	3.10	2.96	2.80	2.64
11	1.47	2.80	2.62	2.68	2.80	3.11	2.97	2.79	2.65
10	1.47	2.80	2.62	2.68	2.80	3.11	2.98	2.80	2.64
8	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64
7	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64
6	1.47	2.81	2.62	2.68	2.81	3.12	2.98	2.80	2.64
5	1.47	2.80	2.61	2.68	2.80	3.12	2.98	2.80	2.64
4	1.47	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
3	1.48	2.81	2.61	2.68	2.80	3.12	2.98	2.80	2.64
1	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
Oct. 26	1.56	2.84	2.62	2.69	2.84	3.19	3.01	2.83	2.66
19	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
11	1.57	2.84	2.61	2.70	2.84	3.20	3.03	2.84	2.65
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
21	1.65	2.86	2.63	2.71	2.85	3.23	3.05	2.85	2.67
14	1.66	2.85	2.61	2.71	2.85	3.24	3.05	2.84	2.67
7	1.65	2.85	2.62	2.69	2.84	3.25	3.04	2.85	2.67
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.45	2.79	2.60	2.67	2.79	3.08	2.95	2.78	2.63
1 Year Ago									
Dec. 23, 1944	1.80	2.98	2.70	2.76	2.99	3.48	3.24	2.96	2.74
2 Years Ago									
Dec. 24, 1943	1.85	3.13	2.74	2.85	3.12	3.81	3.56	3.00	2.84

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE— The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

Revenue Freight Car Loadings During Week Ended Dec. 15, 1945 Decreased 4,781 Cars

Loading of revenue freight for the week ended Dec. 15, 1945, totaled 771,594 cars, the Association of American Railroads announced on Dec. 21. This was an increase above the corresponding week in 1944 of 21,352 cars, or 2.8%, and an increase above the same week in 1943 of 12,713 cars or 1.7%.

Loading of revenue freight for the week of Dec. 15, decreased 4,781 cars, or 0.6% below the preceding week.

Miscellaneous freight loading totaled 342,353 cars a decrease of 7,496 cars below the preceding week, and a decrease of 35,406 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 116,672 cars, a decrease of 578 cars below the preceding week but an increase of 14,443 cars above the corresponding week in 1944.

Coal loading amounted 180,695 cars an increase of 6,276 cars above the preceding week, and an increase of 38,022 cars above the corresponding week in 1944.

Grain and grain products loading totaled 54,513 cars a decrease of 4,350 cars below the preceding week but an increase of 9,835 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Dec. 15 totaled 36,471 cars, a decrease of 3,862 cars below the preceding week but an increase of 5,128 cars above the corresponding week in 1944

Livestock loading amounted to 21,089 cars an increase of 49 cars above the preceding week and an increase of 1,855 cars above the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Dec. 15 totaled 16,044 cars, an increase of 22 cars above the preceding week, an increase of 1,416 cars above the corresponding week in 1944.

Forest products loading totaled 33,070 cars an increase of 2,785 cars above the preceding week but a decrease of 6,339 cars below the corresponding week in 1944.

Ore loading amounted to 9,974 cars, a decrease of 1,691 cars below the preceding week and a decrease of 1,141 cars below the corresponding week in 1944.

Coke loading amounted to 13,228 cars an increase of 224 cars above the preceding week, and an increase of 83 cars above the corresponding week in 1944.

All districts reported increases compared with the corresponding week in 1944 except the Northwestern, Centralwestern and Southwestern. All reported increases compared with 1943 except the Allegheny and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
4 Weeks of August	3,240,175	3,576,269	3,554,694
5 Weeks of September	4,116,728	4,424,765	4,456,466
4 Weeks of October	3,150,712	3,598,245	3,607,851
4 weeks of November	3,207,035	3,364,903	3,304,830
Week of December 1	803,770	807,836	862,733
Week of December 8	776,375	793,156	823,311
Week of December 15	771,594	750,242	758,881
Total	40,706,600	42,060,447	41,155,471

Steel Mill Operations Affected by Holiday Shutdowns—Consumers Hit by Strike Threat

Labor and material troubles are giving the steel industry one of its greatest problems since the high wartime peak days, but indications this week point to even greater headaches to come, according to "The Iron Age," national metalworking paper, which further states in its issue of today (Dec. 27) as follows:

"Severe winter weather conditions have brought to light the fact that inventories of scrap and coal in the industry are dangerously low. As a direct result of the coal strike in October, steel companies were unable to establish sufficient stockpiles as an insurance against severe winter weather.

"The decline in coal stocks with its consequent reduction in the output of coke or blast furnaces has reduced the flow of steel making iron to a point far below requirements.

"The lack of hot metal for steel production has caused most companies to scour the country for iron and steel scrap. This emphasis on scrap will make up for the deficiency in pig iron and has caused scrap supplies to be tighter this week than at any time in several years.

"The material shortage situation last week forced Carnegie-Illinois Steel Corp. to curtail its operations in the Chicago district by more than 10% below the schedule grade. While 24-hour shutdowns will be normal this week because of the Christmas holiday, the raw material shortages have caused deeper than normal cuts to be made at many steel plants.

"A rebound is expected in steel ingot output for the country next week but weather conditions and raw material shortages may make it dificult to reach the recent level of 82% capacity.

"Customers' fears of a steel strike scheduled for Jan. 14 have caused such a surge of new orders that some mills are literally snowed under. Within the past few days ordering activity has been curtailed because of holiday influences, but previous to that time incoming business depending on the company was running from 10% to 100% ahead of shipments.

"It is understood that steel company and union representatives in some distircts have met to formulate plans for keeping in operation certain steel mill facilities which, because of their nature, service community utilities. In many steel areas gas from the coke ovens and blast furnaces is furnished to the cities or villages and it is expected that labor-management agreements will be made so as not to interfere with such community services.

"The steel industry this year is expected to produce about 80 million tons of steel, a decline of more than 9½ million produced in 1944. Most of this decline was the result of war contract cancellations following VE and VJ-Day, as well as curtailments brought about because of the coal strike.

"The recent stand of President Truman that fact-finding boards should consider earnings of companies in wage negotiations has brought out into the open the real reason why management was opposed to his plan. So far, no fact-finding board has been named for the steel industry and it is believed in some quarters that efforts towards a settlement of a steel labor controversy or at least a new move for negotiations may cause a trend away from the imminent long and bitter struggle which will result if both parties are not brought closer together."

The American Iron and Steel Institute on Dec. 24 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 62.8% of capacity for the week beginning Dec. 24, compared with 83.0% one week ago, 83.5% one month ago and 92.1% one year ago. This represents a decrease of 20.2 points or 24.3% from the preceding week. The operating rate for the week begininng Dec. 24 is equivalent to 1,150,300 tons of steel ingots and castings, compared to 1,520,300 tons one week ago, 1,529,400 tons one month ago, and 1,656,900 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Dec. 24, stated in part as follows:

Highly adverse weather and influence of the year-end holiday season have accentuated the tight steel situation, both production and transportation, being affected.

At some producing centers, notably in the Buffalo area, production has been brought almost to a halt and at others there is threat of curtailment, even where weather is less severe, because of difficulty of transportation of raw materials, mainly pig iron and scrap. On top of this is indication of lowered output at various plants over the two holidays, two or three days perhaps being lost in some cases.

Domestic consumers are confronted with further difficulties in the new year as in addition to the threatened general steel strike set for Jan. 14 other complications are developing, the newest and most important being substantial export directives, affecting some of the most critical products. Approximately 850,000 tons will be involved in these directives, with substantially more than a third, according to reliable information, composed of sheets, strip and tin plate, the latter being the largest single item.

Some of this tonnage will be credited to export orders already on books, but the greater part is understood to be at the expense of domestic requirements. The program has been set up by Washington mainly to meet some of the more urgent rehabilitation requirements abroad, particularly in Europe, and to provide tin plate for food preservation. The program represents screening of more than 4,000,000 tons asked by foreign countries as urgently needed during first half. France is said to take almost half. The Steel Industry Advisory Committee to the Civilian Production Administration is endeavoring to set up quotas for various mills, based on estimated production of the products involved.

There is some speculation as to possibility of return to widespread allocations, similar to those under CMP, but most trade leaders regard this as doubtful. Probably existing CC, MM and AAA ratings will be more generally used. These in the past have been used sparingly, though recently the number has increased.

No easing in the tight scrap situation has appeared and supply, while apparently sufficient to maintain current operations, does not allow accumulation of reserves usually built up for winter. Pressure on brokers is strong and melters are willing to pay freight from remote locations in order to obtain material.

Steel warehouses are squeezed between heavy demand and slow deliveries from mills, with the result assortments are broken and supply is low. With mills crowded far ahead and deliveries deferred, many consumers seek large orders from warehouse and inquiry is received from users in territory remote from that usually served by the supplier. With shipments rationed by mills jobbers are forced to divide their tonnage among customers in proportion to usual buying.

Moody's Daily Commodity Index

Tuesday, Dec. 18, 1945	264.7
Wednesday, Dec. 19	264.3
Thursday, Dec. 20	264.6
Friday, Dec. 21	264.6
Saturday, Dec. 22	264.6
Monday, Dec. 24	Closed
Tuesday, Dec. 25	Holiday
Two weeks ago, Dec. 11	264.7
Month ago, Nov. 24	263.6
Year ago, Dec. 23, 1944	253.3
1944 High, Dec. 31	254.4
Low, Nov. 1	245.7
1945 High, Dec. 15	264.9
Low, Jan. 24	252.1

Trading on New York Exchanges

The Securities and Exchange Commission made public on Dec. 19 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 1, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 1 (in round-lot transactions) totaled 3,414,509 shares, which amount was 15.92% of the total transactions on the Exchange of 10,727,870 shares. This compares with member trading during the week ended Nov. 24 of 2,854,786 shares, or 15.99% of the total trading of 8,926,150 shares. On the New York Curb Exchange, member trading during the week ended Dec. 1 amounted to 1,350,040 shares or 12.51% of the total volume on that Exchange of 5,397,605 shares. During the week ended Nov. 24 trading for the account of Curb members of 1,106,155 shares was 12.38% of the total trading of 4,468,650 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DECEMBER 1, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	270,630	
‡Other sales	10,457,240	
Total sales	10,727,870	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	972,170	
Short sales	177,430	
‡Other sales	831,160	
Total sales	1,008,590	9.23
2. Other transactions initiated on the floor—		
Total purchases	214,340	
Short sales	14,600	
‡Other sales	194,990	
Total sales	209,590	1.98
3. Other transactions initiated off the floor—		
Total purchases	397,575	
Short sales	46,628	
‡Other sales	565,616	
Total sales	612,244	4.71
4. Total—		
Total purchases	1,584,085	
Short sales	238,658	
‡Other sales	1,591,766	
Total sales	1,830,424	15.92

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DECEMBER 1, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	53,785	
‡Other sales	5,343,820	
Total sales	5,397,605	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	403,140	
Short sales	30,845	
‡Other sales	325,835	
Total sales	356,680	7.04
2. Other transactions initiated on the floor—		
Total purchases	78,215	
Short sales	3,250	
‡Other sales	82,150	
Total sales	85,400	1.52
3. Other transactions initiated off the floor—		
Total purchases	80,565	
Short sales	8,925	
‡Other sales	337,115	
Total sales	346,040	3.95
4. Total—		
Total purchases	561,920	
Short sales	43,020	
‡Other sales	745,100	
Total sales	788,120	12.51
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	150,610	
Total purchases	150,610	
Total sales	185,929	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Dec. 15, 1945, as estimated by the United States Bureau of Mines, amounted to 12,365,000 net tons, an increase of 320,000 tons, or 2.7%, over the preceding week. Output in the week ended Dec. 16, 1944 amounted to 10,217,000 tons. For the period from Jan. 1 to Dec. 15, 1945 production totaled 554,253,000 net tons, a decrease of 7.6% when compared with the 600,015,000 tons produced during the period from Jan. 1 to Dec. 16, 1944.

Production of Pennsylvania anthracite for the week ended Dec 15, 1945, as estimated by the Bureau of Mines, was 1,066,000 tons, an increase of 51,000 tons (5.0%) over the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 89,000 tons, or 7.7%. The calendar year to date shows a decrease of 14.4% when compared with the corresponding period of 1944.

The Bureau also reported that the estimated production of beehive coke for the week ended Dec. 15, 1945 showed an increase of 200 tons when compared with the output for the week ended Dec. 8, 1945; but was 2,500 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE (In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Dec. 15, 1945	Dec. 8, 1945	Dec. 16, 1944	*Dec. 15, 1945	†Dec. 16, 1944
Total, incl. mine fuel	12,365,000	12,045,000	10,217,000	554,253,000	600,015,000
Daily average	2,061,000	2,008,000	1,703,000	1,888,000	2,018,000

*Subject to current adjustment. †Revised to agree with result of annual canvass of mines.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE (In Net Tons)

	Week Ended			Calendar Year to Date		
Penn Anthracite—	‡Dec. 15, 1945	§Dec. 8, 1945	Dec. 16, 1944	Dec. 15, 1945	Dec. 16, 1944	Dec. 18, 1937
*Total incl. coll. fuel	1,066,000	1,015,000	1,155,000	52,894,000	61,811,000	49,901,000
†Commercial produc.	1,023,000	974,000	1,109,000	50,780,000	59,339,000	47,406,000
Beehive coke—						
United States total	84,600	84,400	87,100	5,019,700	6,777,700	3,115,700

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Dec. 8, 1945	Dec. 1, 1945	Dec. 9, 1944
Alabama	414,000	420,000	355,000
Alaska	6,000	6,000	7,000
Arkansas and Oklahoma	101,000	128,000	89,000
Colorado	163,000	163,000	180,000
Georgia and North Carolina	*	1,000	1,000
Illinois	1,450,000	1,413,000	1,561,000
Indiana	594,000	548,000	594,000
Iowa	46,000	53,000	45,000
Kansas and Missouri	125,000	128,000	158,000
Kentucky—Eastern	987,000	1,072,000	1,057,000
Kentucky—Western	452,000	442,000	378,000
Maryland	33,000	39,000	29,000
Michigan	2,000	3,000	3,000
Montana (bitum. & lignite)	104,000	100,000	100,000
New Mexico	31,000	30,000	33,000
North & South Dakota (lignite)	93,000	88,000	61,000
Ohio	731,000	727,000	674,000
Pennsylvania (bituminous)	2,770,000	2,825,000	2,748,000
Tennessee	133,000	141,000	137,000
Texas (bituminous & lignite)	1,000	2,000	2,000
Utah	144,000	142,000	153,000
Virginia	353,000	391,000	370,000
Washington	34,000	36,000	30,000
†West Virginia—Southern	2,095,000	2,160,000	2,203,000
‡West Virginia—Northern	958,000	1,065,000	1,011,000
Wyoming	225,000	227,000	212,000
§Other Western States	*	*	1,000
Total bituminous & lignite	12,045,000	12,350,000	12,192,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Latest Summary of Copper Statistics

The Copper Institute on Dec. 11 released the following statistics pertaining to production, deliveries and stocks of duty-free copper.

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE

(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) §Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
Year 1944	1,056,180	1,098,788	1,636,295	----	66,780	—42,608	+ 14,659
11 mos., 1945	778,676	777,051	1,414,328	----	74,425	+ 1,625	+ 7,645
Jan., 1945	73,754	67,726	145,904	----	59,715	+ 6,028	— 7,065
Feb., 1945	67,496	69,950	172,585	----	57,142	— 2,454	— 2,573
Mar., 1945	76,537	76,395	218,488	----	51,861	+ 142	— 5,281
Apr., 1945	74,392	75,436	161,111	----	55,453	— 1,044	+ 3,59
May, 1945	74,469	85,319	139,203	----	63,841	—10,850	+ 8,388
June, 1945	72,271	74,377	94,031	----	70,738	— 2,106	+ 6,89
July, 1945	72,855	72,995	88,661	----	76,166	— 140	+ 5,428
Aug., 1945	68,253	69,127	86,840	----	80,316	— 874	+ 4,150
Sept., 1945	64,091	45,145	83,478	----	68,675	+18,946	— 11,641
Oct., 1945	69,322	70,363	104,104	----	73,913	— 1,041	+ 5,238
Nov., 1945	65,236	70,218	119,923	----	74,425	— 4,982	+ 512

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

§Computed by difference between mine and refined production.

NOTE—Statistics for the month of October, 1945, have been revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the Nationa Paperboard Association, Chicago, Ill., in relation to activity in th paperboard industry.

The members of this Association represent 83% of the tota industry, and its program includes a statement each week from eac member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. Thes figures are advanced to equal 100%, so that they represent the tota industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activi Current	Percent of Activi Cumulat
Sept. 1	173,322	159,653	494,699	97	94
Sept. 8	160,857	125,683	527,938	80	93
Sept. 15	150,029	160,303	515,295	96	9
Sept. 22	128,061	151,365	489,702	93	93
Sept. 29	162,065	155,428	492,880	96	93
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 10	162,023	157,617	509,984	97	94
Nov. 17	123,281	154,122	479,228	95	94
Nov. 24	123,781	147,083	454,926	91	94
Dec. 1	172,297	152,571	472,568	96	94
Dec. 8	173,537	154,235	490,123	97	94
Dec. 15	150,330	157,792	487,481	98	94

Notes—Unfilled orders of the prior week, plus orders received, less produc [illegible] not necessarily equal the unfilled orders at the close Compensation for delinquen reports, orders made for or filled from stock, and other items made neces [illegible] ments of unfilled orders.

Resolution Sent to Sav's & Loan Assns. On House Financing

The problem of the housing shortage in the country at the present time is so large and complex that action is needed from many governmental agencies as well as by all factors connected with home building and home financing, according to a resolution which was transmitted recently to the 3,653 savings and loan associations and co-operative bank members of the United States Savings and Loan League. It was adopted by the League's Executive Council at its annual meeting early in December in Chicago, said advices from the League on Dec. 15, which stated that the resolution asks four specific steps to be taken simultaneously:

"1. That those governmental agencies with jurisdiction over price levels and rent levels take prompt action to adjust these levels to such an extent as may be necessary to expedite an expanded home building program.

"2. That those governmental agencies which have building materials in their possession or under their control be requested promptly to release them for use in home building.

"3. That the co-operation of labor be sought in bringing hundreds of thousands of workers into home construction and in removing any obstacles arising from labor policies which prevent or hamper immediate home building expansion.

"4. That savings and loan institutions do their part by using the $5,000,000,000 now and presently available to them to finance every sound home construction project."

The resolution, it is indicated, was passed on the basis of belief that one of the major postwar problems confronting the nation is the shortage of homes which will be aggravated rather than relieved, in all probability, during the coming year, by men returning from battle fronts and camps.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Dec. 19 a summary for the week ended Dec. 8 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Dec. 8, 1945

	Total For Week
Odd-Lot Sales by Dealers—(Customers' purchases)	
Number of orders	54,185
Number of shares	1,615,336
Dollar value	$60,832,055
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	165
*Customers' other sales	42,698
Customers' total sales	42,863
Number of Shares	
Customers' short sales	5,243
*Customers' other sales	1,213,600
Customers' total sales	1,218,843
Dollar value	$47,013,727
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	120
†Other sales	172,670
Total sales	172,790
Round-Lot Purchases by Dealers—	
Number of shares	556,550

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended Dec. 15, 1945 Increased 45,800 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Dec. 15, 1945 was 4,514,700 barrels, a gain of 45,800 barrels per day over the preceding week. It was, however, 180,900 barrels per day less than in the corresponding week of 1944 and was 27,300 barrels below the daily average figure of 4,452,000 barrels recommended by the Bureau of Mines for the month of December, 1945. Daily output for the four weeks ended Dec. 15, 1945 averaged 4,475,250 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately, 4,562,000 barrels of crude oil daily and produced 14,644,000 barrels of gasoline; 1,867,000 barrels of kerosine; 4,905,000 barrels of distillate fuel, and 8,107,000 barrels of residual fuel oil during the week ended Dec. 15, 1945; and had in storage at the end of the week 89,043,000 barrels of finished and unfinished gasoline; 11,174,000 barrels of kerosine; 40,968,000 barrels of distillate fuel, and 42,962,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements December	State Allowables Begin. Dec. 1	Actual Production Week Ended Dec. 15, 1945	Change from Previous Week	4 Weeks Ended Dec. 15, 1945	Week Ended Dec. 16, 1944
Oklahoma	388,000	388,000	†388,500	+ 500	386,500	358,200
Kansas	268,000	249,400	†264,850	+ 22,700	252,150	267,300
Nebraska	800	----	†750	----	750	1,050
Panhandle Texas			81,000	----	81,000	88,750
North Texas			143,650	----	148,400	140,600
West Texas			465,800	----	461,750	471,350
East Central Texas			130,300	----	129,150	141,450
East Texas			307,000	----	311,500	371,000
Southwest Texas			314,550	----	307,350	345,450
Coastal Texas			470,600	----	467,400	552,950
Total Texas	1,940,000	‡2,029,706	1,918,900	----	1,906,550	2,111,550
North Louisiana			76,150	+ 650	75,500	71,250
Coastal Louisiana			295,300	----	294,450	289,600
Total Louisiana	365,000	406,000	371,450	+ 650	369,950	360,850
Arkansas	78,000	77,311	75,900	— 100	76,050	80,900
Mississippi	48,000		53,600	— 1,300	53,450	52,100
Alabama	500		150	— 550	550	250
Florida	----		50	----	100	50
Illinois	213,000		211,300	+ 6,600	207,250	195,600
Indiana	13,500		12,750	— 1,350	13,400	11,550
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		60,800	+ 1,900	60,350	59,600
Kentucky	[illegible]		28,900	— 1,050	29,200	29,350
Michigan	47,000		48,900	+ 5,800	45,550	52,650
Wyoming	92,000		93,550	+ 3,300	94,950	95,950
Montana	22,000		20,300	----	19,900	21,300
Colorado	20,000		20,450	— 500	20,850	8,850
New Mexico	102,000	104,000	97,900	----	96,050	103,200
Total East of Calif.	3,692,000		3,669,000	+ 36,600	3,633,550	3,810,300
California	850,000	§824,000	845,700	+ 9,200	841,700	885,300
Total United States	4,542,000		4,514,700	+ 45,800	4,475,250	4,695,600

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of December. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Dec. 12, 1945.

‡This is the net basic allowable as of Dec. 1 caculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 10 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED DEC. 15, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Produc'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	766	96.8	1,940	19,288	4,092	14,023	7,219
Appalachian—								
District No. 1	76.8	97	66.4	320	2,836	290	658	256
District No. 2	81.2	54	108.0	168	1,026	38	148	211
Ind., Ill., Ky.	87.2	727	84.8	2,588	17,702	2,115	5,890	2,843
Okla., Kan., Mo.	78.3	363	77.4	1,307	7,859	755	2,525	1,057
Inland Texas	59.8	201	60.9	866	2,742	246	413	819
Texas Gulf Coast	89.3	1,097	88.7	3,780	15,333	1,758	6,130	4,727
Louisiana Gulf Coast	96.8	298	114.6	836	4,156	965	1,912	1,520
No. La. & Arkansas	55.9	61	48.4	166	1,793	197	511	335
Rocky Mountain—								
District No. 3	17.1	13	100.0	37	103	20	19	29
District No. 4	72.1	110	69.2	350	1,725	93	482	670
California	86.5	775	80.1	2,286	14,480	505	8,257	23,276
Total U. S. B. of M. basis Dec. 15, 1945	85.7	4,562	84.4	14,644	*89,043	11,174	40,968	42,962
Total U. S. B. of M. basis Dec. 8, 1945	85.7	4,473	82.8	14,908	87,004	¶11,750	42,406	44,723
U. S. B. of M. basis Dec. 16, 1944		4,576		13,945	†82,996	12,432	41,759	59,118

*Includes 7,947,000 barrels of unfinished gasoline stocks. †Includes 12,813,000 barrels of unfinished gasoline stocks. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,867,000 barrels of kerosine, 4,905,000 barrels of gas oil and distillate fuel oil and 8,107,000 barrels of residual fuel oil produced during the week ended Dec. 15, 1945; which compares with 1,717,000 barrels, 4,669,000 barrels and 8,545,000 barrels, respectively, in the preceding week and 1,426,000 barrels, 4,343,000 barrels and 9,158,000 barrels, respectively, in the week ended Dec. 16, 1944. ¶Revised in North Lauisiana-Arkansas due to error by reporting company.

NOTE—Separation into military and civilian grade discontinued, because of the increasing difficulty experienced by refiners in attempting to determine the ultimate disposition of these inventories.

Civil Engineering Construction Totals $63,768,000 for Week

Civil engineering construction volume in continental United States totals $63,768,000 for the week ending Dec. 20, 1945, as reported to "Engineering News-Record." This volume is 6% below the volume for last week; is 215% greater than the volume for the corresponding week of last year and is 6% below the previous four-week moving average. The report issued on Dec. 20, went on to say:

Private construction registered a 7% gain over the preceding week and a 743% increase over the week last year. The volume for public construction while 37% below last week is 65% above the 1944 week. State and municipal construction recorded a 15% increase over last week and a 57% increase over the week last year. Federal construction down 93% below last week is also down 90% compared with the week last year.

The current week's construction brings the 1945 total cumulative figure to $2,263,150,000, for the 51-week period, a 33% increase over the total for a like period of 1944. The cumulative total for private construction is 213% greater than last year. State and municipal 51 week total for 1945 is 61% greater than the total for the same period of 1944. Public construction down 16% from last year due mainly to the 33% drop in federal work.

Civil engineering construction volume for the current week, last week, and the 1944 week are:

	Dec. 20, 1945	Dec. 13, 1945	Dec. 21, 1944
Total U. S. Construction	$63,768,000	$67,642,000	$20,225,000
Private Construction	51,568,000	48,399,000	6,177,000
Public Construction	12,200,000	19,243,000	14,048,000
State and Municipal	11,562,000	10,053,000	7,377,000
Federal	638,000	9,190,000	6,671,000

In the classified construction groups, five of the nine classes recorded gains over the preceding week as follows: waterworks, sewerage, bridges, commercial buildings and unclassified. Industrial and commercial buildings registered strong gains over the week last year; smaller gains were made by waterworks, sewerage, bridges, earthwork and drainage and unclassified.

Non-Ferrous Metals—Stockpile Regulation Extended Three Months—Lead Quotas Reduced

"E. & M. J. Metal and Mineral Markets," in its issue of Dec. 20 stated: "Anxiety over pending legislation to replace measures about to expire at the end of the year was eased somewhat when the Surplus Property Administration amended Regulation 17, thereby extending the stockpiling order for three months to April 1. Final action on the Green Act, relating to unpledged Treasury silver for use by industry, remains uncertain. Nervousness in reference to foreign copper is likely to continue until the Government decides on whether its purchasing program will be continued. Lead quotas for batteries and tetraethyl lead for the first quarter of 1946 were reduced, owing to the tight situation in the metal. Strike action at Mexican silver properties was postponed." The publication further went on to say in part:

Copper

Metals Reserve on Dec. 19 released a good tonnage of foreign copper for January distribution among consumers. Details on the total involved were not available at that time, but members of the industry believe that between 40,000 and 50,000 tons will be shipped.

The copper industry remains in the dark on the Government's intentions in regard to purchases of Latin American copper. Most observers feel that buying will be resumed at an early date.

Mine output of copper in the United States, in terms of recoverable metal, amounted to 60,249 tons in October, acccording to a preliminary estimate by the Bureau of Mines. Output in September was 57,615 tons.

Lead

The lead conservation order was amended by CPA on Dec. 18, reducing first-quarter quotas for both passenger-car batteries and tetraethyl. This move was expected in trade circles, in view of the rather heavy production schedules in these classifications for next year, and the action taken is not expected to prove a hardship to either producers or consumers. Quotas for industrial-type batteries, cable covering, and collapsible tubes were not disturbed.

The first-quarter quota for passenger-car batteries was reduced to 22% of the amount used during the calendar year 1944, the current rate being 26½%. Approximately 4,200,000 batteries can be produced under the revised quota in the January-March period of 1946, which compares with 3,200,000 in the same period of 1945.

Quotas for tetraethyl lead will drop to 80% of the estimated amount used in the fourth quarter of 1945. Producers have been asked to draw upon their reserves of special high-test gasoline in producing the commercial grades.

Sales of lead for the last week amounted to 8,119 tons.

Lead production at domestic mines, in terms of recoverable metal, amounted to 29,816 tons in October, against 29,530 tons in September, preliminary figures of the Bureau of Mines indicate. The daily rate of production for October was 962 tons, which compares with 984 tons in the preceding month.

Zinc

Sellers of Prime Western and Special High Grade were pleased over the volume of business booked in these grades during the last week. The threat of a strike in the steel industry, and the labor disturbances in the automotive field, have not yet changed the mood of either galvanizers or die casters. Adjustments to meet peacetime conditions are still going on at brass mills, which, in some degree, accounts for the continued reluctance on the part of this important zinc-consuming industry to abandon its conservative buying policy. The price situation in zinc remained unchanged.

Tin

News from tin-producing areas of the Far East has been more encouraging. Malayan producers believe that 41 out of 126 dredges will be in operation by next August. Production on the island of Billiton, N. E. I., is expected to resume on a satisfactory scale within six months, according to the Netherlands Information Bureau.

The Civilian Production Administration eased its restrictions on the use of tin, permitting use of the metal on a limited scale to coat kitchen utensils, flatware, etc., and as a filler for automobile bodies. In the last-named classification, only secondary tin may be used. The tin-content of various solders was increased to a moderate extent. Tin oxide may be produced from tin obtained from detinning operations. Many of the uses authorized in the announcement, which was issued Dec. 17, have been previously granted under appeal procedure. The closure and collapsible tube orders have been incorporated in M-43.

Quotations for spot tin were unchanged. Forward quotations, in cents per pound, follow:

	Dec.	Jan.	Feb.
Dec. 13	52.000	52.000	52.000
Dec. 14	52.000	52.000	52.000
Dec. 15	52.000	52.000	52.000
Dec. 17	52.000	52.000	52.000
Dec. 18	52.000	52.000	52.000
Dec. 19	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

The October statistics of the Bureau of Mines, which showed that stocks in the hands of consumers and dealers increased to 37,800 flasks, caused no excitement in market circles. The statistics at present are badly scrambled, traders claim, containing substantial quantities that eventually will repose in the Government's stockpile. With no pressure to sell noted anywhere, the price situation was viewed as steady. Coast prices were higher, but this development was offset by ability to ship metal to New York at lower cost by boat. Quotations here continued at $108 to $110 per flask.

A dispatch from San Francisco, Dec. 18, states sellers quote $105 to $106 per flask, against $104 to $106 last week.

Silver

Small silver producers operating in Canada are expected to increase output, now that they can obtain the world price for their metal. Production at Canadian refineries, however, depends on the rate of activity in base metals. Under the regulation now in force, refiners have been requested to set aside 50% of their production, largely byproduct silver, for home consumption, to be sold to consumers at the 40¢ ceiling, with the remainder eligible for sale at the price obtaining in the world market.

Interest in silver in the United States centered in the move to extend the Green Act, which provides for release of unpledged Treasury silver to industry. Banking and currency committees of the Senate and the House held hearings on the measure last week.

The New York Official for foreign silver was unchanged at 70¾¢ an ounce. London continued at 44d all week.

Silver production at United States refineries was sharply higher in October, the gain reflecting increased activity in foreign metal after the price ceiling was raised by OPA. Production in October totaled $7,002,000 ounces, of which 2,780,000 ounces was obtained from domestic sources and 4,222,000 ounces from abroad, the American Bureau of Metal Statistics reports. Production in September was 4,803,000 ounces, of which 2,300,000 ounces was domestic and 2,503,000 ounces foreign.

Output of refineries in the first ten months of 1945 totaled 55,653,000 ounces, against 63,931,000 ounces in the January-October period last year.

Air Mail to Colombia

Postmaster Albert Goldman in New York made known on Dec. 20 the receipt of information from the Post Office Department at Washington that the air mail postage rate to Colombia is reduced to 15 cents per half-ounce or fraction.

Items About Banks, Trust Companies

At a regular meeting of the Board of Directors of J. P. Morgan & Co. Incorporated, held on Dec. 19, the following appointments were made: Fred C. Billing, Assistant Secretary; Erwin O. Gerhardt, Assistant Treasurer, and Clifford F. Scherer, Assistant Treasurer.

Joseph C. Rovensky will relinquish his post as Vice-President of the foreign department of the Chase National Bank of New York at the end of this year. He will continue to serve in an advisory capacity with the bank, however, and will retain his post as a Vice-President and director of The Chase Bank, affiliate of the Chase National Bank, with branches in Paris and the Far East. He also will become Vice-Chairman of the Morris Plan Corporation of America, serving in an advisory capacity.

Mr. Rovensky has been connected with the foreign department of the Chase National Bank since 1922, except during the three-year period, 1940-43, while he was on leave of absence serving as Assistant Coordinator of Inter-American Affairs on the staff of Nelson Rockefeller at Washington. As an outgrowth of responsibilities assumed in that capacity, he was instrumental in founding the new Council for Inter-American Cooperation, Inc., of which he is President. The Council is engaged in mobilizing the support of business, cultural, labor, and educational leaders for hemispheric cooperation.

Mr. Rovensky has served as President of the Bankers Association for Foreign Trade and is a director of the National Foreign Trade Council. He was a national bank examiner in Chicago and New York before joining the Chase. He is a life trustee of Washington and Jefferson College and is on the panel of arbitrators for the American Arbitration Association.

The Corn Exchange Bank Trust Company of New York, announces the promotion of Harold H. Boswell, Assistant Secretary, to Assistant Vice-President, and Clark G. Sherer, Manager of Grand Central Branch, to Assistant Vice-President.

At the regular meeting of the Board of Directors of The National City Bank of New York held Dec. 18, Harvey S. Gerry and Dana B. Scudder were appointed Assistant Vice-Presidents, and Thomas R. Wilcox was appointed an Assistant Cashier.

Major Kingsbury S. Nickerson, USA, and Lieut. William S. Renchard, USNR, will return to the Chemical Bank & Trust Co. of New York, after more than three years' service with the Armed Forces, and will resume their posions as Assistant Vice-Presidents at the Main Office of the Bank on Jan. 2.

Walter G. Kimball, Chairman of the board of The Commercial National Bank and Trust Co. of New York, announced on Dec. 20 the following official changes and appointments, effective Jan. 7:

Charles E. Wolf, Vice-President and Cashier, to become Vice-President; Edwin R. Westman, Assistant Vice-President, to become Cashier; Cornelius J. Carey, Manager, foreign department, to become Assistant Vice-President, foreign department; Clifford B. Purse, appointed Assistant Vice-President; John F. Cook, Assistant Manager, foreign department, to become Manager, foreign department; Edwin G. Gallaway, appointed Assistant Cashier; Malcolm C. McMaster, appointed Assistant Trust Officer.

V. Lada-Mocarski, a Vice-President and director of J. Henry Schroder Banking Corp., has rejoined the organization after service in the Army since November, 1941, and has just been elected a director of Schroder Trust Co. Mr. Mocarski, who held the rank of Colonel, saw overseas service in the Middle East, Italy and France, and contributed the article, "The Last Three Days of Mussolini," which appears in the December issue of "The Atlantic Monthly."

The Executive Committee of the Board of Directors of Guaranty Trust Co. of New York has authorized the payment of a special Christmas bonus for the year 1945. This bonus will be payable to all employees (including officers) in offices in the United States whose base earnings during the year 1945 will have been at an average annual rate of $6,000 or less, as follows: Payment will be made at the rate of 5% of the individual's base earnings during the year 1945 to all such employees (including officers) on the rolls of the company as of the close of business Dec. 13, 1945, with the proviso that no payment to any individual shall be in excess of an amount which, when aggregated with his base earnings for 1945 and the 15% special supplemental compensation as a temporary cost-of-living adjustment (computed on such base earnings) would exceed an average annual rate of $7,000. Payment was to be made on Thursday, Dec. 20.

The Executive Committee has further authorized the continuation of the special supplemental compensation as a temporary cost-of-living adjustment on the previously prevailing basis of 15% for the quarter ending March 31, 1946. Such special compensation will be paid to all employees, including officers, receiving annual salaries of $6,000 or less and will be based on the salary of such individuals, including overtime. This latter distribution, as heretofore, will be payable monthly.

The Board of Directors of The Commercial National Bank and Trust Co. of New York at a meeting on Dec. 20 voted to transfer $1,000,000 from undivided profits to surplus account, lifting that account to $11,000,000. Capital funds total approximately $19,200,000. The regular dividend of 40 cents per share, payable Jan. 2, 1946, to stock of record Dec. 26, 1945, also was declared.

Sterling National Bank & Trust Co. of New York announces the creation of a Group Life Insurance Plan for the benefit of officers and employees. Under the plan, members of the staff will receive life insurance policies ranging from $1,000 to $10,000, determined on the basis of annual salaries. The bank will make all premium payments, without any charge to officers and employees. The Prudential Insurance Company of America will administer the plan. Sterling National Bank & Trust Co. has also distributed a year-end bonus, consisting of half a month's salary, to all officers and employees who have been with the bank a year or longer, with proportionate payments to the members of the staff who have been with the bank less than a year. This bonus is in addition to the supplemental compensation which the bank has been paying quarterly, at the rate of 6% a year, to all employees who earn less than $3,000 per annum.

The Board of Directors of the Lawyers Trust Co. of New York has declared a special dividend of 25 cents a share and a regular quarterly dividend of 25 cents a share, both payable Jan. 2, 1946 to stockholders of record Dec. 22, 1945.

Ogden White was elected a trustee of Brooklyn Trust Co. of Brooklyn, N. Y., at a meeting of the Board of Trustees of the company on Dec. 20. Prior to the war Mr. White was a Vice-President of Stone & Webster, Inc. He resigned early in 1942 to enter Government service and in 1943 was in charge of development and procurement of strategic commodities for the U. S. Government in Argentina, with headquarters in Buenos Aires. In 1944 and 1945 he served as U. S. Executive Officer of the Combined Production and Resources Board in Washington. He resigned from the Government service in October, 1945, and has resumed private business with offices at 30 Rockefeller Plaza, New York City. He is a director of the Heights Company and the Clinton Building Co. Mr. White had been a trustee of Brooklyn Trust Co. for several years prior to entering the Government service in 1942.

The Board of Trustees of Brooklyn Trust Co. on Dec. 20 declared an extra dividend of $1 a share in addition to the regular semi-annual dividend of $2 a share on capital stock, both payable Jan. 2, 1946, to stockholders of record Dec. 24, 1945. The board also approved payment of a bonus to all employees, excepting officers, of 5% of salaries received during 1945 up to $3,000, applicable to the first $3,000 in the case of employees receiving more than that amount. Supplemental compensation heretofore paid employees in the form of a "cost-of-living allowance" will be made a part of regular salaries after Jan. 1, 1946, it was announced.

The surplus account of the Lafayette National Bank of Brooklyn, N. Y., now stands at $500,000, representing increases of $75,000 since June 30 and of $100,000 since the 1944 year-end, George P. Kennedy, President, announces.

John G. Ermantinger was recently appointed an Assistant Vice-President of the Security Trust Co. of Rochester, N. Y. Bernard F. Finucane, President of the bank, in announcing this on Dec. 17, according to the Rochester "Times-Union," also made known the promotion of John G. White as Assistant Trust Officer.

William B. Coy has been elected a Vice-President of Day Trust Co. of Boston, according to the Boston "News Bureau" of Dec. 11.

According to the Boston "News Bureau" of Dec. 14, at a meeting of directors of New England Trust Co. of Boston, Francis C. Welch was elected a director and Elliott R. Hedge was elected a Vice-President. The paper quoted says:

"Mr. Welch is a trustee and attorney, having graduated from Harvard University in 1933 and Harvard Law School in 1936. Mr. Hedge was formerly Assistant Vice-President until he entered the U. S. Naval Reserve in November, 1942."

Frank H. Frissell, President of the Farmers and Mechanics Savings Bank of Middletown, Conn., since 1934, died on Dec. 10 at the age of 74.

According to the Hartford "Courant" of Dec. 11, Mr. Frissell was also President of the Frissell Fabric Co., which he founded in 1920, and President of Frismar, Inc., which he helped to establish in 1930.

William J. Field, President of Commercial Trust Co. of New Jersey, announces that the Board of Directors of the bank has declared an extra dividend of 2% in addition to the regular dividend of 2% payable on Jan. 2, 1946 to stockholders of record Dec. 22, 1945. This is the 158th consecutive dividend payment by the bank. At the same time Mr. Field stated that all of the bank's employees and officers had been given salary increases and a bonus equal to a full month's salary.

The Sabina Bank of Sabina, Clinton County, Ohio, has become a member of the Federal Reserve System, it was announced on Dec. 21 by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. Organized in 1922 with a paid-in capital of $50,000, The Sabina Bank serves a trade area with an estimated population of 4,000, according to the Reserve Bank. R. W. Allen is Chairman of the board; George J. Gray, President; Michael Mulvihill; Vice-President; R. W. Cline, Cashier; Mrs. Harriett Holmes and Richard Pavey, Assistant Cashiers. Directors are R. W. Allen, R. W. Cline, George J. Gray, Michael Mulvihill, Harry E. Nunn, J. J. Wilson and O. D. Young.

William S. Johnson, Vice-President, has been elected a member of the Board of Directors of the Land Title Bank and Trust Co. of Philadelphia.

An increase in the capital stock of the First National Bank of Chicago to $60,000,000 from $50,000,000 through a transfer of $10,000,000 from the surplus account was approved by stockholders at a special meeting on Dec. 18, Edward E. Brown, Chairman of the Board announced. Advices to this effect were contained in the Chicago "Journal of Commerce" of Dec. 19, which went on to say:

"Stockholders of record Dec. 15 will receive the new stock as a stock dividend upon approval of the Comptroller of the Currency.

"On Dec. 27 a transfer of $10,000,000 from undivided profits to surplus will be made in accordance with action of the directors, Mr. Brown said. As a result, with the stock dividend effective, he said, the capital stock will be $60,000,000 and the surplus again $50,000,000."

The directors of the California Bank of Los Angeles on Dec. 11 authorized an increase in the capital stock from 200,000 to 260,000 shares, with the privilege extended to stockholders to subscribe to one additional share at $40 for each 3⅓ shares held.

The Los Angeles "Times," from which this is learned, also said in part:

"This stock was acquired by the bank in winding up proceedings prior to final dissolution of Shareholders Co., formerly California Securities Co., all of the stock of which is owned by the bank.

"Regarding the capital increase, Arch W. Anderson, Chairman of the board, stated that the sale of the additional 60,000 shares of stock will increase the common capital to $6,500,000 from the present $5,000,000, and raise surplus from $5,000,000 to $5,900,000. With undivided profits of approximately $2,600,000, capital account of the bank will total $15,000,000, exclusive of an increase which may come about as a result of earnings for the last half of the year.

At the same meeting, on Dec. 11, the board declared a stock dividend of 8,000 shares of treasury stock, which was paid Dec. 20 at the rate of one share for each 24 shares held on Dec. 16.

Kenneth M. Sedgewick was recently appointed Manager of the Montreal Branch of The Royal Bank of Canada. He succeeds M. M. Walter, who becomes Assistant General Manager of the institution.

The New York representative of Lloyds Bank Limited (at 34 Wall Street), makes known the receipt of advices from the head office in London announcing that on Dec. 31 the Rt. Hon. Lord Wardington will relinquish the Chairmanship of the Board of Directors, after occupying that position since 1922. Sydney Parkes, C.B.E., will retire from the Chief General Managership of the bank on the same day. Both will remain as members of the Board of Directors. As of Jan. 1, the Rt. Hon. Lord Balfour of Burleigh, D.L., will assume the Chairmanship of the Board of Directors, and E. Whitley-Jones and A. H. Ensor will become Chief General Managers.

Congress Revises GI Bill of Rights

After weeks of deliberation and controversy, an amended compromise version of the GI Bill of Rights was passed by both Houses of Congress on Dec. 19, according to Associated Press advices from Washington. New features of the bill, adopted by the House by a standing vote of 134 to 23 and later approved by voice vote of the Senate, include:

1. Removal of a requirement that tuition fees, unemployment compensation and defaults on loans be deducted from any future Federal bonus.

2. Increase in subsistence allowance for GI students from $50 to $65 monthly to those unmarried and $75 to $90 for those married.

3. Expense paid correspondence courses and short technical courses.

4. Removal of a requirement that men over 25 must show their education was interfered with to be eligible for educational benefits.

5. Increase in a maximum Government loan guarantee from $2,000 to $4,000 on real estate, thus permitting a maximum $8,000 loan with the Government guaranteeing half.

6. Real estate loans to be arranged by recognized lending agencies, the veteran and the local appraiser of the Veterans Administration, an agreement of the three to be binding on the administration.

7. Easing up on loans by substituting "reasonable value" of property as the basic consideration instead of "normal reasonable value."

8. Additional purposes for which a loan may be obtained and more time to pay back a real estate loan.

9. Americans who fought for allied governments would come under the bill.

Action Not Completed on "Full Employment"

Congress adjourned for the Christmas recess without having acted upon the modified version of the so-called "full employment" bill, which the House passed on Dec. 14 and which was sent on Dec. 17 to conference with the Senate. The measure, which the House approved, 254 to 126, is a substitute for the stronger bill advocated by the Administration, and in its present form lays down a Federal policy of maintaining "a high level of employment, production and purchasing power." It also provides, according to Associated Press Washington advices of Dec. 14, for creation of a three-man economic council to make recommendations toward achieving maintenance of the high standard.